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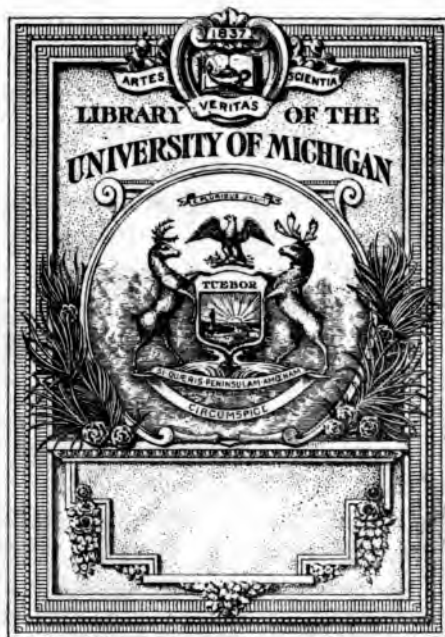
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**AMERICAN METHODS
IN
FOREIGN TRADE**

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AMERICAN METHODS IN FOREIGN TRADE

A Guide to Export Selling Policy

BY
GEORGE C. VEDDER

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**TO THE
AMERICAN BUSINESS EXECUTIVE
TRUE TO HIS HERITAGE OF IDEALISM
CONFIDENT OF THE EVENTUAL TRIUMPH
OF CORRECT PRINCIPLES
ENTHUSIASTIC, HARD-WORKING AND FAIR-PLAYING
THIS BOOK IS DEDICATED**

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PREFACE

AMERICAN manufacturers are not the best exporters in the world, but the best exporters in the world are American manufacturers. In the United States are to be found the most efficient world traders in steel, heavy machinery, office specialties, typewriters, cash registers, talking machines, automobiles, shoes, hosiery, hardware, cameras and scores of other articles. Some of them have not as yet the largest overseas trade in their line, but their skill will eventually make them leaders in this respect also.

Volume of sales, however, is not an all-important consideration for it takes care of itself in due time if methods are sound and constructive and possess continuity. The statement that the United States has the best exporters of scores of lines means that we have the men who have shown preeminent ability in building up a profitable foreign demand for these goods, on the solid foundation of that due regard for the rights and welfare of the distributor and consumer from which springs good will, the only real guarantee of future profit and growth.

Our weakness in the foreign trade field is therefore not that we do not know how to export, but rather that, as yet, good American exporters are

relatively few in number. The great majority of our manufacturers have not learned how the conspicuous successes of their compatriots have been achieved. When they really want to find this out, they will. The following pages present facts gathered and ideas developed, not by research, but by years of constant association with successful exporting manufacturers, foreign sales managers, general exporters and overseas buyers. May they serve as a guide to a sound export selling policy, adapted to each investigator's line and in harmony with American ideas of merchandizing.

If any of the ideas presented in these pages seem to the reader to deserve amplification or amendment the author hopes to receive constructive suggestions quoting the exact passage. The conceptions set forth in this volume are not the precepts of a theorist but the discoveries and deductions of a practical man who is an earnest seeker of the truth and who believes he has collected enough of it to make it worth while to pass it on to all in printed form.

The reality of the existence of distinctively American methods of building up a foreign trade may come as a surprise to many of our manufacturers, into whose ears has for two decades been pouring a *crescendo* stream of adverse criticism of their handling of export business. In fact it may be doubted whether our successful exporters themselves fully realize how their selling activities differ from those of European manufacturers. They have not, as so repeatedly recommended, imitated the English, French and German traders, but when

really earnestly seeking foreign business have rather disregarded them, studied their markets for themselves and solved the problems there presented, by the application of the principles of good business as they know them, adapting them to existing conditions everywhere.

If at times it seems to the reader that the note of idealism is too strongly sounded, may he attribute this to a profound conviction that our success in foreign trade is largely dependent on the practical application by our manufacturers of the Golden Rule in their dealings with buyers in overseas markets. Those who have become leaders in this field have, either deliberately or unconsciously, practised it. This book could render no greater national service than to discourage the export activities of survivors of the era of *Caveat Emptor*.

So enamored with German methods are our superficial observers of world trade and so dazzled and intimidated by their seeming effectiveness are our tariff protected manufacturers and political cheap-competition alarmists, that it seems advisable to devote first attention to them, later drawing some conclusions as to future rivalry to be expected from this quarter. American foreign trade policies, as will be made clear, differ in principle from the Teutonic, though sometimes appearing to resemble them in surface details. In order to avoid being misled, it is, therefore, important to get the fundamental weaknesses of the German exporter firmly fixed in mind.

CONTENTS

	PAGE
PREFACE	v
CHAPTER	
I. THE FUNDAMENTAL WEAKNESSES OF GERMAN TRADE	
POLICY	1
II. WHY A NATIONALIZED FOREIGN TRADE?	10
III. THE WEBB-POMERENE ACT AND COMBINATIONS IN FOREIGN TRADE	16
IV. THE EXPORT COMMISSION HOUSE	22
V. THE EXPORT SELLING AGENT	27
VI. THE EXPORT MANAGER AND THE EXPORTING MANUFACTURER	32
VII. THE EXPORT DEPARTMENT	40
VIII. THE EXPORT SELLING PLAN	44
IX. SELLING THROUGH EXCLUSIVE AGENTS	48
X. GENERAL MERCHANDIZING IN FOREIGN MARKETS	52
XI. DETERMINATION OF EXPORT PRICES	56
XII. MAKING A START IN DIRECT EXPORTING	60
XIII. CIRCULARIZING BY THE BEGINNER IN DIRECT EXPORTING	65
XIV. EXPORT PUBLICATIONS AND THE BEGINNER IN DIRECT EXPORTING	70
XV. THE EXPORT CATALOG	75
XVI. AMERICAN SALESMEN IN FOREIGN TRADE	80
XVII. COOPERATING WITH FOREIGN AGENTS AND DEALERS	89
XVIII. GENERAL PUBLICATION PUBLICITY IN FOREIGN MARKETS	95
XIX. FOREIGN CREDITS	101
XX. INTERNATIONAL CROOKS	108
XXI. HANDLING FOREIGN CORRESPONDENCE	113
XXII. HEAVY MACHINERY IN FOREIGN MARKETS	119
XXIII. THE EXPORTATION OF RAW, STAPLE, AND STANDARDIZED PRODUCTS	124
XXIV. A PLEA FOR CONSTRUCTIVE CRITICISM	128
XXV. THE "MADE IN GERMANY" IDEA	133
XXVI. A SUGGESTION TO THE DEPARTMENT OF COMMERCE	147

CHAPTER	PAGE
✓XXVII. AMERICAN BANKS ABROAD	151
✓XXVIII. FOREIGN INVESTMENTS AND EXPORT TRADE	156
XXIX. THE AMERICAN MERCHANT MARINE	162
XXX. RECIPROCITY TREATIES AND PREFERENTIAL TARIFFS	169
XXXI. AMERICA'S PREEMINENCE IN SALESMANSHIP	173
XXXII. THE PROTECTIVE TARIFF AND FOREIGN TRADE	179
XXXIII. GERMAN COMPETITION	187
L'ENVOI	196
INDEX	199

AMERICAN METHODS IN FOREIGN TRADE

CHAPTER I

THE FUNDAMENTAL WEAKNESSES OF GERMAN TRADE POLICY

GERMAN business principles and methods were as much the offspring of autocracy as were the governmental policies of that country. Just as the naval and military establishments of the Kaiser disregarded all laws of civilization and humanity in the prosecution of their war aims, so German industry, supervised and directed, not by independent individuals whose survival depended on their fitness to serve society, but by imperial authority whose favor or disfavor decided to a large extent the average citizen's future, broke most of the basic laws of good business and fair competition as we understand them.

German commercial frightfulness preceded the revelation of its military counterpart and its aim was the development of manufacturing, not to serve society with the products thereof or promote the welfare of producers, distributors and users of them, but rather to build up the industrial machine

2 *AMERICAN METHODS IN FOREIGN TRADE*

necessary to autocracy's aims of world conquest. Can any thinking man believe otherwise in view of the German Government's unhesitating course in July, 1914? Would any ruler or ruling class, however autocratic, have so deliberately dedicated a great industrial structure to the needs of world war, hopelessly involving the economic future of its every citizen, had it not been so planned from the beginning? Germany was in the position of the burglar who, having mortgaged his all to equip himself, sets out to rob a bank in the hope of recovering his investment with as much more as he can get.

Most historians agree that our Civil War, which was fought with slavery as the immediate popular issue, was in reality caused by the economic, social and political divergence of the North and South. It is now believed that years before the great struggle, slavery was a doomed institution that had always carried within itself the germ of its own destruction, social injustice. The South fought against the North as the unrecognized embodiment of the inevitable.

The writer ventures the prediction that historians will demonstrate that the great World War was precipitated by the German Government's realization that the inevitable decline of a world trade, deliberately built up to serve abnormal and selfish aims, was impending or had already begun. It may be that the minds of those who ordered this terrible thing did not fully comprehend what was urging them on. Perhaps the impulse was born of a subconscious impression of approaching disaster. However this may be, the fact seems very clear that, just as Germany at war found herself forced

WEAKNESSES OF GERMAN TRADE POLICY 3

to feed her human chattels on victory after victory, conquest after conquest, to ward off internal trouble, so she was, in the first place, driven to war itself, to save autocracy from the political effect of the threatened revelation of the weakness of an enormous commercial structure built on the insecure sands of bad business principles and unsound methods and strained in every part by the constant pressure of enlightened competition. German commerce, like slavery, carried within itself the germ of its own destruction.

And why was German trade facing an uncertain future in 1914?

It seems strange that men who, calmly and with full assurance as to the outcome, await the downfall of a rival who, by unbusinesslike methods, takes away some of their trade, should not have realized that the German system was not only doomed to eventual failure, but was at all times extremely vulnerable to intelligent competition. Later on it will be shown that this vulnerability provided our pioneer exporters with some of their greatest opportunities, but at this point let us confine ourselves to the consideration of the inherent unsoundness of Teutonic methods.

The much-praised German banks in all parts of the world had served primarily, not their depositors and borrowers, not the business needs of the countries in which they were located, but chiefly those of Germany and her manufacturers and exporters. This certainly constitutes unsoundness, if there is anything in the service theory of banking. Credits were extended or withheld, not as demanded by the

4 *AMERICAN METHODS IN FOREIGN TRADE*

best interests of local importers and distributors, but as such action might benefit those who planned to force their products on the community by making it difficult or impossible to obtain others.

Many American manufacturers can testify to the malign influence of these banks on the progress of various countries. How many prospective buyers of English, French and American goods were switched to those made in Germany, chiefly or solely by the threatened withholding of necessary and entirely warranted credits, no one can estimate, but examples are sufficiently numerous to prove the prevalence of the practice. To be sure, the crafty bank manager was not so foolish as to fail to recognize that he could not in some cases go too far and there are instances where, after all possible obstructive tactics had been employed and the position of the credit seeker was sufficiently independent to make it probable that he could get what he wanted elsewhere, the bank submitted to the inevitable and took the best profit obtainable. This never happened, however, so long as there remained a possibility of diverting the business to a German house.

German banks repeatedly violated the confidential nature of their relations with foreign importing firms. The correspondence files of American manufacturers are full of complaints from customers which show conclusively that selling representatives of German houses were immediately provided with full information regarding all transactions between foreign firms and competing sources of supply, the details of which came to the attention of German banks through the handling of documentary drafts,

WEAKNESSES OF GERMAN TRADE POLICY 5

the discussion of prospective credits or other negotiations usually regarded by honorable business men as confidential.

"Made in Germany" speedily came to be a label of inferiority for the good and sufficient reason that one of the chief selling points of the exporters of that country was cheapness. When the seller educates his customers to look upon price as a first consideration he subordinates quality, subjects himself to the severe competition of inferior and cheaper goods and must himself lower the quality of his product when he reaches the point where improvement of facilities and increase of output can no longer effect the economies to warrant further price reductions. Only the maker of quality goods whose chief selling argument is service to the user, is immune to the evils of cheap competition and his immunity is universal. In but a few lines, such as cutlery and dyestuffs, were German manufacturers preeminent as makers of quality products.

American manufacturers were repeatedly exhorted to imitate the Germans who it was said would go to any extreme to supply what was wanted. Could any policy be more shortsighted? Consider the manufacturer whose success has been made by educating domestic distributors and users to the desirability of an article which he believes to be superior to any similar product. Is he to keep out of foreign markets, make the inferior article to which they are accustomed or repeat abroad what he has done at home?

Adapting a product to a market is ridiculously reactionary unless rendered absolutely necessary by

6 *AMERICAN METHODS IN FOREIGN TRADE*

practical considerations of climate, law, taste or other conditions beyond the control of the manufacturer, distributor or user. Conforming to the whim of those who insist on having a certain thing because they have always had it may result in larger immediate sales, but it is not constructive.

The German credit system was a source of great weakness for two reasons. The terms accorded to foreign buyers were based on bad business principles. The real function of mercantile credit is not financial assistance to individual recipients. Its extension is a manifestation of that confidence in the business integrity of business men without which world commerce would come to a standstill. One of its purposes is service, eliminating as it does the intolerable inconvenience incident to the payment of cash in advance or on delivery. Its greatest benefit is the multiplication of the economic usefulness of capital, making it possible for the whole civilized world to transact a greatly increased volume of business on its accumulated wealth.

When the credit function is degraded by its employment as a competitive weapon we take all the chances incident to price cutting and wildcat banking. Germany encouraged and supported her business men in running these risks, not in order to lay a strong foundation for future trade, but to build up as rapidly as possible the needed industrial prop of her militarism and imperialism. The effect was to develop an enormous artificially inflated commerce with the incidental demoralization of world markets and the enslavement of many distributors of manufactured goods throughout the world.

WEAKNESSES OF GERMAN TRADE POLICY 7

For the extension of long credits, unwarranted by anything but the German greed for trade, usually did one or both of two things to the recipient. He either became over-extended and got into difficulties or forfeited his independence by owing more than he could pay, often becoming as a result little more than the paid manager of what was formerly his ~~own~~ business.

The manufacturer has a double duty. He is at once the custodian of the welfare of his employees and that of his distributors and consumers. The German-manufacturer looked after only the first of these obligations. He took care of his co-workers because they were necessary to his country's aims, but that enlightened selfishness which recognizes distributors as co-partners and satisfied customers as the greatest of business assets, was never one of his characteristics.

German exporters followed a wide range of deceptive practices. Among these may be mentioned briefly the placing of German name plates on machinery made elsewhere, the use of brands belonging to non-Teutonic firms on inferior German goods and carefully calculated misrepresentations regarding specific products of competing nations.

It is impossible for anyone to prove at this time that the foregoing and less known and less important weaknesses of the German trade policy, destined it to ultimate disaster, but there were many evidences during the period of 1910-1914 that Germany, having sown the wind, was to reap the whirlwind. Certainly no good economist or business man will claim that trade practices which are recognized

8 AMERICAN METHODS IN FOREIGN TRADE

as unsound when employed by individuals, become sound and desirable because they are advocated and supported by an exceptionally able and powerful but entirely selfish autocracy.

If German bankers, manufacturers and exporters had not had the backing of the Imperial Government, the failure of their methods would have come quickly. To those who believe in the eventual triumph of correct principles it is clear that ultimate failure was certain.

Not to recognize that any business success, built on a bad foundation, is at best but temporary, however prolonged it may be by the support of the taxing power of a great country, is to contend that wrong, strongly backed up, becomes right. To believe in the ultimate triumph of German frightfulness, commercial or military, is to ignore the resistless strength of the normal reactions of human nature.

It is not contended that the things that Germany did were wrong in themselves. The establishment of foreign banks and steamship lines, the accumulation of information on which to base credit and guide trade seekers—all these things were admirably adapted to serve the legitimate aims of industrial leaders and properly used, would have benefited not only German society, but the whole civilized world. That the commercial power incident to the control of these great facilities was used for entirely selfish objects, meant ultimate disaster just as certainly as autocracy's misuse of its political power led eventually to its own destruction.

German trade methods were autocratic and selfish.

WEAKNESSES OF GERMAN TRADE POLICY 9

The American manufacturer's democratic spirit of co-operation with the distributor in serving the consumer for the good of all concerned, has laid a firm foundation for a great trade in every market and is destined to pervade the whole civilized world.

CHAPTER II

WHY A NATIONALIZED FOREIGN TRADE?

THERE is no stronger evidence of the insidious character of the influence of German ideas than the tendency, not only of our foreign trade pamphleteers and other academic exporters, but also of our so-called big business men, to look upon the nationalizing of foreign trade as desirable. Because Germany, by the establishment of central agencies combined that country's commercial and industrial institutions and facilities into a glorified governmental trust, which, by steam-roller methods and others even less creditable, seemed able to attain whatever aim its creators desired, we are constantly being told that combination and nationalization of the efforts of our manufacturers is essential to the best results in foreign trade. "Nothing succeeds like success" in carrying conviction, but too often temporary success based on bad business principles is sadly misleading.

That a general tendency can be wrong is capable of much exemplification. No more conspicuous case exists than that of Henry Ford. If he had followed the general trend of the first ten years in his field of industry instead of adhering persistently to good business principles as he knew them, while he might not have failed as so many did, he certainly would

never have been the industrial leader that he now is. It is critically important today that our manufacturers have the courage to refuse to imitate others and adhere to American methods.

The nationalization of trade, foreign or domestic, is contrary to the dictates of common sense. The commerce of the United States as a whole has been developed by the producing and selling genius of the American business executive and rests upon the secure foundation of the aggregate good will—the reputation for quality of product, service and fair dealing—built up by all producing and selling firms. The success of every American manufacturer at home or abroad rests on the recognition of this fundamental fact. Why should we, in our hour of greatest opportunity for service and profit, depart from tried and proven principles?

Our Government can, to be sure, accomplish much by diplomatic means to create a favorable atmosphere and can also, by the dissemination of general as well as specific information, show our manufacturers where their opportunities lie, thus greatly assisting the individual in his foreign trade efforts. Equally certain is it that the establishment of foreign banks and international steamship lines should be encouraged. When, however, the Government is urged to constitute itself an agency for doing for the manufacturer the things that he not only ought to, but must do for himself, or the manufacturer is led to believe that, until Washington gets back of the pet projects of advocates of the nationalization of foreign trade, it is useless for him to attempt to accomplish very much, the tendency will

12 *AMERICAN METHODS IN FOREIGN TRADE*

be toward a lessening of individual effort resulting in a great loss of prospective trade.

The time will never come when the foreign distributor or consumer will to any appreciable extent buy American, German or English products because they are such. The first consideration with the user is the quality and service of the article purchased. The distributor is influenced, not only by the same desirable characteristics, but also by the expectation of consequent continuity and increase of profit for those who handle the article. A national reputation for inventive genius and quality of manufactured products and the existence of adequate banking and shipping facilities are helpful, but the first thought of the foreign importing and distributing house is the standing of each firm that constitutes a source of supply for needed lines of goods, regardless of its nationality.

The truth of this is recognized by all successful American export managers, for it is they who, years ago, in spite of the supposedly fatal handicap of low-price, long-credit competition, the lack of an American merchant marine and international banking facilities and the great difficulty of obtaining the information on which to base a practical selling campaign having for its aim the upbuilding of a distributing organization, went boldly into foreign markets, in person or by the written and printed word, met price objections with quality and service arguments, expressed their willingness to extend reasonable credits while arguing against unwarranted extensions as bad for all concerned, showed how, if their goods were imported in sufficient quan-

tities, existing banks and steamship lines would do their part, for the profit involved if for no other reason, and in general stood by their guns.

They found some advance interest in American goods, partly because of the national reputation for doing things well and partly because many firms were dissatisfied with the quality of European lines or saw an opportunity of securing their business independence by taking some of their eggs out of the capacious and greedy German basket. Once convinced by the only arguments the American manufacturer had, valuable connections were made and so satisfactory were the goods supplied and the service given, that before the outbreak of the Great War, the importations of American manufactured goods in Latin America were second only to those of English origin and rapid gains were being made all over the world.

In nearly fourteen years of intimate acquaintance with scores of American foreign salesmen and sales managers, the writer has yet to learn of a genuine instance of failure to get a foothold in a foreign market, due to price competition, the long-credit bugbear or the lack of shipping or banking facilities. Nor can one find among our successful export men any feeling regarding German exporters but calm self-confidence oftentimes tinged with the contempt for their methods that is invariably born of intimate familiarity with them.

Again it should be stated that no argument against an American merchant marine, foreign banks or other desirable facilities, is here intended. The contention is that all these things are at the

14 *AMERICAN METHODS IN FOREIGN TRADE*

best but important tools of the exporter. The better the tools, the better the work done, but the essential things are willingness on the part of the individual to do the work and the ability to do it right, if given the tools.

During the time that our pioneer exporters were laying the foundation of their great successes, the public heard little of them, but did hear a great deal about those foreign-competition-fearing manufacturers, who, timidly entering the world-trade field entirely unequipped to grapple with its problems and not sufficiently interested to find out how to meet them, provided our lame-duck consuls and returning tourists of that era with material for their endlessly repeated lectures. We have heard altogether too much about American failures in export. It is high time that we studied the successes, for only by the general inculcation of the principles and methods on which they are based, can we ever attain our destiny in the field of international commercial exchange.

Admirers of German trade methods are either dazzled by their spectacular but temporary results into disregard of the basic principles of good business or are at heart undemocratic, believing that the mass of mankind do not know what is good for them and that the chosen few should rule, not only politically, but commercially. If democracy is to be the political creed of the future, if government can only derive its just powers from the consent of the governed, then the industry of the future must also be regulated, not to serve only the ends of those who control it, but the welfare of those who participate in it, either as workers or consumers.

WHY A NATIONALIZED FOREIGN TRADE? 15

And time will show the consumer masses at home and abroad to be the more important factor because the more numerous. The day is not far off when it will be clearly seen that to manage an industry for the welfare of its workers alone is just as wrong in principle as to consider only the interests of the few who, because of fortunate inheritance or special ability, control its policies. On the general recognition and the active and intelligent practice of this principle depends America's future in world trade.

*force the cart. - as vs. Sherman act 18-
as if identical value 19-2*

CHAPTER III

THE WEBB-POMERENE ACT AND COMBINATIONS IN FOREIGN TRADE

THE fact that, while we combated political Germany, her intellectual invasion of this country continued, was evidenced by the passage of the Webb-Pomerene Act. Without going into any detailed analysis of this measure, it may be described as purporting, by the nullification of the Sherman Law so far as export trade is concerned, to enable manufacturers to combine legally to secure for themselves the so-called advantages of the German cartel system.

The cartel system is essentially a legalized combination in restraint of trade. It is in line with the German idea of achievement by mass attack rather than by individual consideration for the greatest good of the greatest number of those who build up or support a government, industry or other human institution. The constituent members of a cartel are presumptively able, by price-fixing and other devices familiar to the American public, to conduct a ruthless campaign against competitors and turn the power thus built up against consumers.

Characterizations of the Webb-Pomerene Act by export managers range all the way from denuncia-

tion as a flank attack on the principles embodied in the Sherman Law by those who are interested in its moral nullification or legal repeal, to expression of the opinion that it may be of benefit to some manufacturers. It is a striking fact that few if any foreign sales managers, who have built up a good business, consider it of any value in their particular line. ?

It must be admitted that no one who believes in the principles underlying our anti-trust legislation, and at the same time looks upon all people everywhere as entitled to justice, could honestly advocate a measure like the Webb-Pomerene Act, and that even those who do not approve of the Sherman Law, still had no right to induce the Government to put itself, particularly at a critical period in our international relations, in the inconsistent position of permitting our manufacturers to do to the foreign consumer who has no vote in our affairs, what cannot be done to the people of the United States, whose constitutional rights enable them effectively to express their approval or displeasure.

This serious violation of good principle has had no uncertain effect in foreign markets. A mass of adverse comment has accumulated in the correspondence files of our exporters and the anti-American press everywhere has welcomed this apparent proof of the selfish character of our national aims. That portion of our press that advocated this measure has been kept busy explaining that their overseas contemporaries misunderstand its purport, pointing out that certain provisions prevent any violations of the spirit of the Sherman Law.

18 *AMERICAN METHODS IN FOREIGN TRADE*

This has been very unconvincing in view of the fact that we have kept the Sherman Law in force at home. That our alert European competitors would fail to use this situation to their advantage was scarcely to have been expected.

The existence of cartels in Germany offered no moral justification of the Webb-Pomerene Act. That country was not highly regarded as a moral mentor and the system was not, as a matter of fact, exclusively a foreign trade device. The cartels operated in the home market as well as abroad. Our Government should have had the courage either to repeal the Sherman Law altogether or refuse to sanction any departure from its principles. Wrong does not become right beyond our frontiers.

That one of these measures must eventually be either repealed or ignored, seems so evident as not to need exposition. Counsel for a large combination, in an argument before the Supreme Court, referred to the Webb-Pomerene Act soon after its passage as justifying in principle the acts for which the Government was prosecuting his client under the provisions of the Sherman Law. That two measures so contradictory morally can long remain on the books and be effective, is incredible.

Whatever the real intent of the sponsors of the Webb-Pomerene Act, the hope that it would be helpful to small competing manufacturers seems to have been doomed to disappointment except, possibly, in the case of producers of raw, staple or standardized products, which, possessing little or no individuality, must, to some extent, meet price competition. Such lines, however, owing to constantly increasing home

consumption, have constituted a steadily lessening percentage of our total exports.

As previously pointed out, our future in the field of foreign trade depends not on our ability to meet price competition, but to sell quality goods for a fair price by the scientific upbuilding of distribution and enlightened regard for the welfare of all concerned. To believe that a number of small manufacturers of such goods, continuing to compete at home, can harmonize their varying standards to combine under the provisions of the Webb-Pomerene Act and secure such a trade, is a severe strain on the credulity of the experienced business man. The best they can hope to accomplish is to reduce selling expense (no initial reductions in production costs are possible), and for the sake of increased output, lower their prices to a point where the combination may get some business on the German low-price basis. Such a trade, however, would sooner or later be limited or wiped out by the advance of the enlightened competition of quality goods.

The Webb-Pomerene Act was at the worst estimate a deliberate departure from principle with ulterior motives. At its best it was a misguided attempt to benefit our manufacturers which will fail because it was based on the misconception that success in foreign selling depends on meeting price competition and ignored the real trend of modern world trade.

Export combinations of manufacturers of non-competing but allied lines have long existed. Some of these have been deliberate and intentional creations and others gradual developments. Occasion-

20 *AMERICAN METHODS IN FOREIGN TRADE*

ally, an exporting manufacturer, in his endeavor to co-operate with foreign customers, has made purchases of other lines for which such clients had no regular sources of supply. This led to securing the export sales representation for many of such products and sometimes to the transfer of all overseas selling operations to a separate company specially formed for the purpose.

Export combinations gradually evolved in this way are much more likely to be satisfactory than are those that spring full-fledged from the activities of a promoter. There are some instances where success has attended the efforts of several non-competing manufacturers who combined to form an export company and took it upon themselves as controlling stockholders and directors, to oversee the development of a pre-determined business policy.

It is, however, probable that most of the successful combinations of non-competing manufacturers are those that center around the activities of export selling agents as described in Chapter V. Every selling agent as he progresses is inclined to take on lines allied to those he already represents with the result that in due course he constitutes a bond between the makers of each product he sells, they, except through him, having no relations with each other. Each firm, having its own satisfactory arrangement with him and concerning itself not at all with the separate agreements between him and the makers of other lines, continues to look upon him as its export manager as long as the volume of trade is satisfactory, quite regardless of what he is doing for others. Such loosely held combinations have a

flexibility that the formally organized export companies lack and they may be built up gradually, as opportunities to take on new lines present themselves, without the necessity of undue risk to anyone concerned.

*Good, but look back
should be good to
the Commission
or
accompanied.*

CHAPTER IV

THE EXPORT COMMISSION HOUSE

THE first step usually taken by an American manufacturer who contemplates a foreign selling campaign is to interview several of the so-called export commission houses. Almost every established and reputable producer receives from such firms occasional unsolicited orders and it is but natural that, when attempting to build up a foreign demand for any product, the maker should follow the lines of least resistance and confer with the apparent sources of such overseas orders as have previously been filled.

The many-sided and varying institutions to which the term "Export Commission House" is popularly applied, represent facilities of great potential value to the novice in foreign trade, but sometimes they also, wittingly or unwittingly, constitute obstacles or pitfalls in his path if he does not understand the character of the functions they perform. It is therefore essential that the export pilgrim, looking for the path which leads to his foreign trade paradise, gain the fullest possible knowledge of them and their possibilities for good and evil.

The development of manufacturing in the United States during the latter half of the Nineteenth Century, marvelous as it was, ran but a neck-and-neck

race with domestic demand. A surplus that could be exported was at times produced in many lines, but there were few individual cases in which such production was sufficiently continuous to justify a determined effort on the part of the maker to get into foreign markets. Those who, by chance or otherwise, made good overseas connections often found themselves swamped with domestic orders, and, not foreseeing the time when they might want export business year in and year out, neglected their new-found customers.

Yet a foreign demand for many kinds of American manufactured goods persisted. So great was our reputation for inventive genius and fabricating skill, that it could not be killed even by the atrocious practice, at one time quite prevalent, of dumping on the foreign market defective or obsolete stocks.

The irresistible force of this demand met the immovable body of lack of continued interest on the part of our manufacturers. Something had to happen, and what happened was the export commission house.

The export commission house was originally and still is, in theory at least, the resident representative of foreign exporting and importing firms. It disposed of shipments to this market and sent back American products as ordered, all on a stated commission. As a selling agent, its duty to its clients obliged it to secure the highest possible prices for import consignments, and, as a purchasing agent, the lowest possible prices on American goods ordered for export.

These functions naturally led many export com-

24 AMERICAN METHODS IN FOREIGN TRADE

mission houses into other activities, the first of which were international banking and shipping. Some of them, starting as commission houses, developed into trading companies of the European type, with branches and stocks of goods in various parts of the world, and others acting as trading companies in some countries, developed a commission business in others.

As our manufacturers became more interested in overseas markets, there came into existence the export selling agent, whose exclusive function it was to promote the foreign distribution of the various products he represented. The success of these newcomers led many export commission houses to take the sales agency for various lines, and many of those who were originally selling agents gained the confidence of foreign firms and began acting as purchasing representatives for goods for which they did not have an agency, thus acquiring the character of an export commission house.

As a result of all this, there is a great deal of confusion in the minds of American manufacturers as to what is meant by the term "Export Commission House," for it is applied loosely to international trading companies, foreign importers' resident buying representatives and American manufacturers' export selling agents. To add to the obfuscation, the same firm sometimes appears in several or all of these roles in different transactions.

The important point for the manufacturer to keep in mind is *what function a given firm proposes to perform*, regardless of what it calls itself. Only

by doing so can he decide how and to what extent it may fit in with his previously formulated export selling policy.

The relation of the several types of export commission houses to a sound selling campaign will later be shown in the chapters in which policy is discussed. It may be here stated, however, that the American foreign sales manager believes in the export commission house and his belief is based, not on the absurd sentimentality that because the institution has in the past done much for American manufacturers it should now be supported, but on the unquestioned fact that it not only plays a role of great usefulness today, but also will always form a necessary part of our foreign trade machinery.

Both the international trading company, which buys where it can to the best advantage and sells to anyone whose business needs make it worth while, and the resident buying house, which purchases, finances and ships on orders from overseas clients, make possible a large volume of foreign trade which can only be handled in this way. The manufacturer who can secure a share of this business without interference with his agents or other detrimental effect on the machinery of his overseas distribution should do so. That the export commission house exists is proof of its usefulness, and the attitude toward it of the manufacturer engaged in direct exporting should be one of strict neutrality. The bad judgment of the radical direct exporters who refuse to accept any orders whatever through such established channels is only equaled by that of the ultra conservatives who insist that all overseas customers

deal through these intermediaries only. It is to be assumed that each foreign customer knows from experience how to buy to the best advantage and, unless the circumstances are very unusual, no influence favorable or unfavorable to export commission houses should be brought to bear on him by those who constitute his original sources of supply.

*Bring document
advt & details
to info*

CHAPTER V

THE EXPORT SELLING AGENT

THE manufacturer who contemplates an aggressive export selling campaign must first decide whether he will place the management of it in the hands of a sales representative or entrust the handling of details to a salaried employee in his own office.

There are many points for and against the appointment of an exclusive export agent. A good one who has handled lines allied to the one newly taken on is often in a position, through previously formed connections with foreign buying houses, to make short cuts to immediate profitable business by the elimination of the necessity of establishing the standing of the maker and the quality of his product. He should very soon secure a considerable volume of trade by virtue of his own acquaintance with foreign buyers.

A beginning in overseas trade can perhaps be made more economically through a fortunate connection of this kind than in any other way. In addition to the advantage of probable immediate orders, the export selling agent, whose organization is virtually a combination foreign sales department for all his manufacturing connections, is enabled to effect economies in overhead, office detail work, circulariz-

28 *AMERICAN METHODS IN FOREIGN TRADE*

ing, employment of salesmen and other means of securing and handling orders.

The export selling agent, if efficient, will also avoid the sometimes costly blunders and delays that so frequently characterize the early foreign trade activities of our manufacturers.

There are, however, certain drawbacks and risks incident to the policy of placing an export campaign in the hands of an independent organization. The immediate object of the manufacturer should not be sales and profits, but the systematic up-building of good will and distribution. If he has the confidence in his line that every good American maker should have, he will regard the satisfying of the existing demand for goods such as he makes, not as the consummation of his efforts but rather as one of the means of developing an organization with which he can co-operate for the benefit not only of himself and his distributors, but of consumers. In other words, while taking such incidental profits as he legitimately can, he must keep in mind what he wants to accomplish eventually. For what will it profit him if he obtains many orders the first year but loses the greater opportunity of placing himself in an invincible position in foreign markets?

The policy of the maker is an important factor in foreign trade and the export manager closely identified with his firm is usually a better interpreter of it than is a selling agent. The latter's contract must, for obvious reasons, have a time limit which means that he is constantly tempted to regard the profitable order in hand as worth more than several in the, to him, uncertain future. This attitude

may sometimes create a situation in foreign markets which it will take a manufacturer years of effort to overcome. An independent selling representative, working under a temporary agreement, is not often inclined to do the things that spell only expense in the present, but which may mean great advantage to the maker at a future time when the agent will perhaps no longer be in a position to claim the reward for his foundation-laying work.

It may be argued that the right type of export selling agent will be sufficiently far-seeing to recognize that his future depends on the success of his manufacturing clients. There is some theoretical truth in this, but it is offset by the fact that every such agent has had the experience of losing accounts for which he had done good work because someone else promised more or the client desired to assume direct control of his foreign trade.

An agent who represents many lines is also open to the criticism of divided interest and, from any one client's point of view, presents the same undesirable aspects as the salesman who handles a number of side lines.

There also exists the objection, whose reality has been shown by the experience of many manufacturers, that the exclusive export agent who keeps complete control of the business developed has the power of life or death over it and can, in retaliation for real or fancied wrongs, hold up his client for increased commissions or impose other similar burdens on him. This leads to a situation of watchful waiting on the part of the manufacturer for an opportunity of undermining the agent, in order to

30 *AMERICAN METHODS IN FOREIGN TRADE*

acquire his own hold on the trade and on the part of the agent to prevent this outcome. Such opposition of interests can hardly be regarded as constructive.

Like the export commission house, the selling agent serves a very useful purpose. There are and always will be a large number of manufacturers who will not themselves make any earnest attempt to get a foothold in foreign markets, but who will co-operate with someone else in selling their products. The aggregate volume of business developed in this way is very large. Generally speaking, however, the manufacturers who are the leading exporters of their lines have entrusted their future to their own foreign sales manager either from the beginning or after a start had been made in some other way.

There are some export selling agents whose efficiency, progressiveness and high-mindedness have been such that they have achieved wonderful success and their relations with their clients closely approximate those of a foreign sales manager.

As in all other business relations, the practical results obtained by making a connection with an export selling agent must of course vary greatly with the character and ability of the man selected. As a rule the representative who builds up some business for a client only to lose the connection at the expiration of his contract, should take it philosophically. The existence of a pre-arranged time limit is a mutual recognition that such a possibility existed from the first. If the change is to the advantage of the principal, the agent has no moral right to stand in the way and if it is not, the door

should be left open for his return to the fold, from which, having once departed to his disadvantage, he will scarcely be inclined to stray a second time.

The success of the relation between manufacturer and export agent depends to an exceptional degree on fair-mindedness and consideration of the other man's point of view on the part of both parties to the arrangement. The former must give the latter his due at all times and the latter must constantly keep in mind the fact that he cannot make a permanent success if he yields to the ever-recurring temptations to increase his own profits at the expense of the best interests of his clients or his foreign customers.

very general description
of formal characteristics
of the person who is
likely to have any influence

CHAPTER VI

THE EXPORT MANAGER AND THE EXPORT- ING MANUFACTURER

THE successful export manager closely identified with the manufacturer's selling organization is either a man (or woman, for several women are prominent in this field) who in the course of his work developed into a good business man, saturated with American ideas and ideals, or one who reached this stage of development in domestic work and later turned his attention to the foreign trade field.

He is usually an American by birth or at least in training. There are a few notable exceptions of foreign antecedents, but they are in every instance men of great adaptability and open-mindedness who quickly assimilated American methods and principles and made them the mainspring of their working equipment.

The manager of foreign sales who has in the past been responsible for the great world trade of many of our manufacturers did not as a rule bring to his task a knowledge of export or any special acquaintance with overseas markets. Usually he had not had any special training for the work. His start was much like that of any young American in other branches of business endeavor. His chief equipment was an early training in our traditions, innate

breadth of vision and a good education in the fundamentals at least. His success was simply a normal manifestation of the American genius for salesmanship in a new field.

It would be idle to deprecate the great value of special training in overseas selling and some very valuable work has been done along these lines. More should and will be accomplished. Nevertheless an acquaintance with export sales methods, the theory of good export practice, foreign languages, overseas trade facilities and conditions in world markets can always be acquired and is secondary in importance to the character and caliber of the man. Some of the greatest failures in the history of American exporting have been made by men with an ideal equipment and training who did not naturally and readily comprehend all humanity in their scheme of life—men to whom frontiers were real rather than imaginary lines.

Lack of a high order of executive ability will mar an otherwise ideal equipment and training for the work of an export manager. There is a field for such men—that of the export technician who serves as the export manager's right-hand man, relieving him of the burden of supervising the details of the work of the department. In a highly developed organization the export manager should be the strategist whose field operations are carried out in all markets by one or more tacticians who for want of a better name have come to be called export technicians. It is needless to say that any tactician may with experience develop strategic ability.

To achieve a lasting success in export sales work

34 *AMERICAN METHODS IN FOREIGN TRADE*

is one of the severest tests of character. Without possessing in some degree such qualities as breadth of vision, executive ability, a fair and open mind, ingenuity, farsightedness, systematic industry, patience, intellectual and moral honesty and practical idealism, only a moderate success can at best be achieved.

To erect a strong trade structure in other lands, the export manager must have the breadth of vision which will enable him to project himself into the environment of distributors and consumers there, examine all questions from their point of view and harmonize them with the legitimate interests of his own firm.

He must have executive ability, multiplying himself through subordinates in order that his constantly increasing volume of trade may be so handled that the spirit of his successful policy may not be transformed into a perfunctory attention to customers' expressed requirements.

He must at all times be not only fair from his own point of view but also make it very clear that his mind is open—that he has no opinions or ideas that are not subject to revision or rejection if sound reasons are advanced for so doing. Hasty decisions that either will not stand careful analysis or have the appearance of unfairness, however just they may be if all the facts are known, have a disastrous influence on relations with foreign buyers whose geographical remoteness make man-to-man talks a practical impossibility.

The export manager must be ingenious. There frequently arise unexpected situations where, for

the good of all concerned, something out of the ordinary must be done. Outside of the limited opportunity offered by cable service, it is impossible to consult with the customer and the man who in such cases makes a practice of cabling for instructions instead of asking for explicit approval of some definite step that he himself believes advisable, will never achieve results out of the ordinary.

The farsighted man will of course prepare in advance to deal with such emergencies insofar as it is humanly possible to anticipate them. There were many instances while the World War was being waged where an export manager, foreseeing the effect of war conditions on his line of industry, was able to do his foreign distributors a signal service by his forehanded advice.

It is not enough, however, to be able to take the other man's point of view and know how to co-operate with him, for many who can if they will, do not do this. Only the really industrious and systematic man can spare the time not only to think for his customers but to act in their interest. The great distances involved make the procrastination of the lazy a serious obstacle to the development of foreign trade.

He who, having done all possible to accomplish an object, does not know how to await results with tranquillity has no place in export work. Patience is an important factor in foreign trade building. Overseas buyers, accustomed to other lines which are in demand in their communities, would in the long run be very undesirable people for anyone to do business with if they were inclined to take on

new sources of supply overnight. Entirely new lines may of course be added much more quickly in comparison, though even here the necessity of educational work on the part of the manufacturer, the time required by the importer for an investigation of the possibilities in the territory he serves, the careful estimation of his own ability to finance the increased business and other similar considerations cause delays that tax the patience of the export manager to the limit.

Nothing can have a more disastrous effect on an export selling campaign than intellectual or moral dishonesty on the part of the man in charge of it. Temporary success may result but time is sure to reveal serious defects in the distributing machinery built by such a workman.

Practical idealism plays a greater part in foreign selling than in almost any other line of commercial endeavor. Great success attends the efforts of the man who is endowed, to any considerable degree, with the qualities that we have thus far considered, but triumph over all competition waits on the labors of him who adds to them a broad conception of his duty to humanity. He who, possessing many good qualities persists in using them for essentially selfish, even though enlightened aims, may accomplish much in international commercial exchange, but he is a pigmy compared to the man who has the same mental and moral equipment plus the all-pervading influence of a genuinely sympathetic understanding of his brother men wherever they may be and whatever their race, color, customs and environment.

The association of an export manager who to any considerable degree embodies these characteristics, with a manufacturer whose standards and methods are at variance with all that he sets out to accomplish, is little short of tragic.

Such a manufacturer not only does not deserve the services of a really good export manager, but for his own material good should not have them, because to him they are not worth what they cost. No matter how great the ability of the man or how transcendent the excellence of his innate qualities and acquired training, he cannot, thus handicapped, wage a good fight for world trade. He must have confidence in the product and in the man who makes it. He cannot send beyond our frontiers a message that he does not first receive. He cannot successfully preach a gospel which he is prevented from living. The money changer may desecrate a temple without discomfort to himself, but the high-minded man whom circumstances force to live in a brothel, either ceases to be himself or fights his way into better surroundings.

The ideal exporting manufacturer is one who regards himself, not as a divinely appointed purveyor to the needs of other less able men, but as the privileged director of facilities of production that are necessary to society's welfare. He thinks not so much of his rights as his blessings, not so much of his talents themselves as of what they can do for the world, humbly acknowledging that the qualities of mind that make him a leader are largely unearned blessings and not a reason for deserved self-congratulation.

38 *AMERICAN METHODS IN FOREIGN TRADE*

The ideal exporting manufacturer is a believer in industrial democracy. He knows that he is honored by the power to control and direct the facilities which his own or ancestral constructive ability has created. He knows also that he is justly entitled to compensation far beyond the earnings of the average man. But with all this there is the realization that he owes a solemn duty to the thousands, perhaps millions, who need and use his products, that in proportion as he serves he will be rewarded and that partial or complete failure in his stewardship means partial or complete failure for him. The ideal exporting manufacturer is he who, calm in his achieved success and with an accurate estimate of himself and his abilities, goes into world markets not alone to make the profit which is essential to progress, but also because he would be false to himself if he overlooked the opportunity of taking his place in the far-flung line of those who are fighting for human advancement.

By these standards, the manufacturer who contemplates the building up of world distribution, should measure himself. And by these standards also, should he be measured by the export manager who, having first satisfied himself as to his own qualifications, undertakes the immediate supervision of the work.

Both the manufacturer and the export manager should realize that the worth-while man is not the peculiar product of any country or clime. Race and nationality are not the distinguishing marks of excellence. The good and the bad exist everywhere in about the same proportions and commercial suc-

cess attends him who goes into world markets well equipped, convinced that he will find good and, while protecting himself from the bad, can utilize even it to good ends. The American exporter is blessed with an assignment of unusual possibilities, enabling him as it does to carry to every corner of the world some of the spirit of the United States of America.

CHAPTER VII

THE EXPORT DEPARTMENT

THE term "export department" is loosely applied to the salaried export manager and his part of the manufacturer's selling organization, to separate companies handling one or more lines and organized to operate independently but under the same control as the parent firm or firms and even to the staffs maintained by selling agents representing a number of products and controlled only by the terms of the agreement with each client.

Strictly speaking "export department" refers only to the personnel wholly or partially under the direction of the closely associated foreign sales manager, but, for our purposes, it may be extended to include separate companies organized and controlled by the manufacturers whose lines are handled.

There is some divergence of thought as to the advisability of associating and co-ordinating foreign trade efforts with the activities of the domestic sales department under the supervision of the general sales executive or of organizing separately with a full personnel under an executive responsible only to the general management.

These differences of opinion among export managers are due to the peculiarities of the experience

of each. The possibilities of the "built-in" export department, to use the phrase of Mr. Walter F. Wyman, one of its strongest advocates, vary with the caliber and disposition of those on whom depends the proper handling of credits, collections, shipping and other routine work. If these men, trained only for the domestic field, have not the capacity for development, they may, by their narrowness of vision and lack of adaptability so seriously hamper the export manager's activities that either he must make the best of a bad situation while building up a sufficient volume of business to warrant the gradual organization of his own staff of helpers, or the obstructionists must be removed and replaced by better men, on the initiative of the general management.

The advantages to the firm of the built-in export department charged only with its fair overhead and working in harmony with the domestic organization, are manifold. The best foreign trade policies and methods are usually those evolved in sales work within our borders and adapted to the conditions encountered in each overseas market. The export manager who is closely associated with a general sales executive of long experience with the line is greatly helped by the advice and assistance that is thus at his disposal. Conversely, the work done in foreign markets often develops methods and ideas that can be applied in home merchandizing with excellent results.

There is a distinct payroll economy in combining the domestic and foreign selling organizations and the broadening experience of dealing with the vary-

42 *AMERICAN METHODS IN FOREIGN TRADE*

ing problems of world trade makes every employee worth more to his firm and to himself.

There are many cases, however, in which a separate department seems advisable. Some inland manufacturers find it advantageous to locate their foreign sales office in New York. The successful exportation of many products involves engineering or other problems that are so distinctive abroad, that only by the maintenance of an entirely separate organization can the best results be secured.

There seems to be a mistaken impression among manufacturers with little or no experience in overseas trade that, in order to build up a foreign business, it is necessary to create and maintain, at great initial expense, a full-fledged export department with its complement of helpers. Nothing is further from the truth. Such a step is, as a matter of fact, inadvisable, for, in foreign as well as in domestic trade, organizations, to be sound, must as a rule be developed rather than put together like a picture puzzle.

An active, intelligent, suitably equipped young American with a stenographic helper, is enough for a beginning. Select him carefully with the characteristics of the ideal export manager in mind, provide him with a library of reference works and with facilities for correspondence translation and securing credit and other information, see that he gets all necessary co-operation from the sales, credit and shipping departments and back him up with a conservative appropriation for publicity, circularizing, postage and incidentals. If you pick the right man, provide him with these helps and

have the patience to stand by him while he works out his salvation, you will have an export department before you realize it.

Don't expect miracles. If you are making a good article that is in profitable demand at home, you can, unless the circumstances are very exceptional, look forward to a worth-while foreign trade. But distances are long, your name probably means little or nothing in overseas markets, the best business men abroad are at least as conservative as they are within our borders and there are the invariable unforeseen obstacles to be surmounted.

If you started your own business, recall your first years of foundation-laying work and remember that your export manager is going through the same character-testing experience, less trying perhaps, without the problems of production with which you had to wrestle, but certainly more difficult in other respects.

CHAPTER VIII

THE EXPORT SELLING PLAN

REGRETTABLE as the fact may be, it is obviously impossible to outline in detail a practical export selling plan for all manufacturers. The methods that must be used vary greatly with the nature of the line, with the character of the available means of distribution in foreign markets and with the conditions under which each line of goods is sold and used abroad.

The only general rule that can be applied is that the plan in each instance should be an adaptation of the domestic system of selling. Human beings everywhere are much alike and have developed about the same institutions. Each manufacturer should start out with the intention of locating facilities similar in function to those employed in domestic selling and then develop a plan for using them in much the same way, subject to slight variations in surface details. He must not allow himself to be confused or misled by names. A credit reporting bureau may be in just as good odor under another designation. A buying firm should not, because it is labeled "export commission house," be confused with a selling agency. A foreign importer may or may not be a jobber. The name is not important. The function performed is the only thing to be considered.

At this point the manufacturer should be warned that this is not intended to confirm him in his adherence to preconceived ideas as to how people must do business with him. On the contrary, what is meant is that the export selling plan, while involving some departure from such ideas, need not be revolutionary in principle. The maker who contemplates a campaign in direct exporting should not, after vainly trying to find a way to do abroad exactly what he is doing at home, become discouraged and wish the whole thing off on an agent or commission house *just for that reason alone*. In succeeding chapters, it will be shown that the intelligent and diligent seeker will be rewarded by the discovery of the existence of the very materials he needs for constructing his distributing machine.

The selling plans that are the backbone of the world-wide trade of our successful exporting manufacturers have been, in one sense, gradual developments. Few if any of them were worked out in clearly defined detail before a start was made. They were the outcome of a determination to find out the way to use abroad the fundamental methods accepted as best for each line at home. No instance comes readily to mind where unusual success has resulted from discarding American selling methods for the adoption of those that obtain in Europe. It seems to be essential to carry into foreign markets the best that Americanism stands for and use it, not in a narrow and selfish way, but with the profound conviction that, just as the possession and intelligent exercise of American business ideals bring a certain return at home, they cannot fail to

46 *AMERICAN METHODS IN FOREIGN TRADE*

be recognized by human beings everywhere as worthy of reward and emulation.

For the manufacturer of highly elaborated products who attempts direct exporting, the first diverging paths between which he must choose are represented by the exclusive agency plan and its general merchandizing alternative. When he reaches this point it is far better for him to do some good hard thinking about his home experience rather than to depend entirely on the advice of others. Unfortunately there are at large a great many self-constituted foreign trade advisers, some of them honest and disinterested and others self-seeking, who from their own narrow experience or deliberately to serve their own ends, advocate one or the other of these plans or even the abandonment of the idea of direct exporting, without regard to the nature of the line or the manufacturer's internal situation.

When such outside advice is considered, too much stress cannot be laid on the importance of ascertaining the nature of the experience or known facts on which it is based. It is quite remarkable how often a manufacturer who makes, let us say, a line of hosiery and who, if he were contemplating entering the Pacific Slope market would never dream of being guided by a man who had sold pianos there, will nevertheless be influenced in laying out an export campaign by a typewriter salesman who has traveled South America, by a representative of some export house whose chief interest is keeping trade in the hands of his firm or by a wandering South American who, at a tender age and without

any business experience in his own country, came to the United States to seek the fortune that was more likely to be found in his own door yard.

If the manufacturer with his supposed good business sense and his special acquaintance with his own line of goods will but exercise his own judgment after reading the succeeding chapters, he should have little difficulty in making a wise decision. Let him first determine to his own satisfaction whether or not his product is one that in the home market requires, or could be sold to advantage by, exclusive agency arrangements. If the decision is affirmative, the chances are that this plan must be used abroad to attain the best results. If, on the other hand, the manufactured article is best marketed at home through a policy of general merchandizing, some very good reasons should be found for departing from this method.

The tendency on the part of American manufacturers to let someone else do their thinking in export matters, to farm out the foreign field as a temporary makeshift or to await the fruition of some governmental project which they hope will, in some undefinable way, open up for them an easily traveled road to overseas success, is a very great obstacle to our progress in world trade. If they will but devote to the task of finding and following their own way the zeal and determination which characterized their early efforts to establish their home trade, more will be accomplished than by the success of any or all of the schemes that ever have or ever will be formulated to do for them what they not only should but must do for themselves.

CHAPTER IX

SELLING THROUGH EXCLUSIVE AGENTS

THE exclusive agent in foreign markets is an individual or firm acting to all intents and purposes as a factory selling branch but without the active participation of the home office in either the financing of local transactions or in resulting profits. In all other respects the relationship is or should be much the same.

Exclusive agents should not be confused with exclusive dealers who are discussed in the next chapter. The agent orders and resells, carries a stock of parts, makes repairs and adjustments, joins with the manufacturer in sales promotion work in the territory—in short does all that a capable manager of a factory selling branch would do in his place. The sole difference lies in the fact that he finances all orders, sells for his own account and takes all of the profit.

Only in exceptional cases are *bona fide* American factory branches a success in foreign selling. The reasons are not hard to find. The manufacturer, being quite unknown in overseas markets, must struggle for recognition not only of the quality of his goods, but also of his own standing, which must be established with each individual buyer. He must carry the burden of financing his own import ship-

ments and the extension of local credits, while operating in a strange country and relying entirely on salaried executives where dependable men of ability are at a high premium. The exclusive agent, carrying the financial burden for the sake of profit, accomplishes, if carefully selected and properly handled, all that could be hoped of a factory branch besides contributing as a factor of great value, his own established standing in the market he serves.

The appointment of exclusive foreign agents or the establishment of factory branches is an absolute requisite for products whose successful sale involves mechanical, technical and scientific knowledge of them. Lines requiring expert demonstration, highly developed repair facilities or skilled attention subsequent to their acquisition by the user may be sold in a limited way without such representation, but dissatisfaction on the part of buyers who have no one near by to turn to for help in case of difficulty often makes such sales a positive handicap to the development of the territory by an agent when one is appointed.

Some of the American lines which have succeeded best abroad by making exclusive agency arrangements are household and office specialties, agricultural machinery, special machinery, automobiles, engines, boilers, motors, etc.

The greatest of care should obviously be exercised in appointing exclusive agents abroad. The first considerations are their standing in local circles and their ability to cover their territory effectively and finance the expected volume of trade. The largest houses are not always the best. The man who has

succeeded sometimes ceases to supply the driving power which built up his large business. The most effective agent for a new line, all other conditions being satisfactory, is not the firm that is large now, but the one that is likely to be very large five or ten years from now, because the new line, in proportion as it contributes to this growth, is correspondingly benefited.

Make sure, by stipulations as to volume of business to be attained during each succeeding year, that your prospective agent is not trying to "box" your line in favor of another. Do not make the territory larger than the representative can prove his ability to cover or finance. Avoid entering into a binding contract at the outset. Try to inspire a feeling of confidence in the integrity of your own intentions which will make the agent feel that if he makes good under a tentative informal agreement, designed to afford protection against difficulties unforeseen by either of you, he will be given the opportunity to become a permanent part of your selling organization.

Once you have appointed an agent on an experimental or formal contract basis, co-operate with him in every feasible way. Do not accept a commission house order without learning its destination so that the proper commission may be credited on everything originating in his territory. Instruct him diplomatically in the sales methods that you have found successful at home, so that he may adapt them to local conditions. Consult with him on all matters of sales promotion in his territory. Originate circular matter giving his name and ad-

dress as local agent to be criticized or approved by him, printed by you and sent out either by him or by you to prospective customers whose names have been previously compiled by one or both of you. Give him a little the best of it in your adjustments rather than stand out for the strict letter of your rights. Only by proving that you have his personal interests at heart can you expect to build up a business friendship on the strength of which will depend to a large degree your success in his part of the foreign field.

Above all strive to impart to all agents everywhere the spirit of co-operation for the benefit of users of your line. Imbue them with the confidence in your product which permeates your domestic organization and which has to no small extent contributed to your success.

CHAPTER X

GENERAL MERCHANDIZING IN FOREIGN MARKETS

HOWEVER complex its manufacturing process, a product which, when complete, is a simple one which men, women and children everywhere know how to use instinctively or because of long familiarity with it should as a rule be sold abroad either to all importing jobbers who can handle it or to every retailer who has facilities for importation. Such a line does not require exclusive representation as described in the preceding chapter.

It is quite true that makers of some articles of this kind which are sold in the United States by the exclusive dealer method have found the same system of distribution to be advantageous in foreign countries. The best example of this is the case of trade-marked lines of American shoes, in marketing which, at home and abroad, many of our largest manufacturers have found it good business to confine their dealings to one merchant in each town, city or city district, rather than make it difficult for any one dealer to carry a complete stock, by scattering the profit among a number of retailers. The exclusive dealer or, more accurately, the exclusive retailer plan, works well abroad for lines that find it beneficial at home and all makers of

general merchandize will do well to carry into the foreign field their practice of not selling to the small store across the street from the established dealer who has built up a neighborhood demand for their goods.

General merchandizing through foreign dealers is much the same as in the domestic market. There are some differences, due to the greater distances between factory and merchant, to ocean transportation, to local conditions and to variations in languages, customs and seasonal demand.

Owing to the manifest impossibility of replacing merchandize quickly, the foreign dealer must carry a large stock and, his turnover being less frequent than that of a domestic merchant doing the same volume of business, his margin of profit must be greater and his average stock order larger. These facts must be kept in mind by the manufacturer in calculating his probable selling cost, passing on credits and considering other questions concerning his relations with his retailing partners beyond our frontiers, for it is only by intimate familiarity with the conditions under which the distributor is working, that the most effective co-operation can be extended.

The variations in procedure due to ocean transportation are not difficult for any good shipping department to master. Adequate facilities are in existence. Select a good freight forwarding house and consult with it. The question of packing for ocean shipment and to meet local conditions has never troubled a manufacturer who was really in earnest about foreign trade. The subject may be

54 AMERICAN METHODS IN FOREIGN TRADE

dismissed with the emphatic reminder that *the foreign buyer must get what he wants in this respect*. His demands are based on conditions in his market and only by a recognition of this fact can the manufacturer hope to build up a large foreign trade.

The foreign language question is not a serious one, for the work done by our pioneer exporters has resulted in the upbuilding of facilities for corresponding, circularizing and cataloging in any commercial tongue. Every manufacturer should use these facilities in preference to having this work done in his own office or home city by an itinerant translator over whom no adequate supervision can be exercised.

There is, strictly speaking, no such thing as seasonal demand in export trade. It is true that retailers of some products or all merchants in some one country order at a particular time of the year more heavily than at others, but there is no fixed rule regarding this. Seasonal lines in the volume of trade are obliterated by the large but varying degree of prevision which foreign buyers exercise in order to make sure of an adequate stock at all times.

Co-operation in developing a consumer demand should be carried beyond the limits that obtain in domestic work of this kind. The foreign merchant, as a rule, lacks that general familiarity with sales promotion methods that is one of the chief assets of our domestic retailer. He must not only be helped by definite suggestions, but instructed in possible ways of carrying them out. This educa-

tional work is one of the things which distinguishes the campaigns of American makers from those conducted by competitors of other countries. Wherever our progressive exporting manufacturers have gone they have strengthened and established existing merchandizing organizations and developed new ones. This highly constructive consideration for the independence and general welfare of the merchant is one of the factors that has enabled our exporters to disregard price competition and made them, many years before the great War began, the bugbears of European trade scouts.

CHAPTER XI

DETERMINATION OF EXPORT PRICES

HAVING decided to his own satisfaction whether he should adopt the exclusive agency or the general merchandizing plan, one of the first things that the manufacturer must do is to determine what his export prices should be. It is impossible to formulate any fixed method for doing this, but some general suggestions that should prove helpful can be made.

Where the exclusive agency plan is adopted, all dealings will, eventually at least, be confined to agents. The best practice in such cases has heretofore been to quote F.O.B. New York or other United States port, a price covering cost, export selling expense (including advertising and other co-operation extended to agents) and profit. Such quotations are usually made in the form of a schedule of list prices to which apply discounts theoretically covering the profit of the agent and his sub-agents, with a final discount for cash.

Some experienced exporters, having built up an established business and having agents everywhere to whom prospective customers can be referred to advantage, have discarded the cumbersome list and discount method of quoting, in favor of confidential net prices supplied only to such agents. Where a sale in a territory not covered by an agency is but

a remote possibility and can be handled as an exception, this has its advantages but it is scarcely to be recommended to the beginner for whom the securing of a few direct orders at a list price less the first discount, but not the second which represents the prospective agents' profits, may be the means of securing representation which it might be difficult to obtain without such previous demonstration of the salability of the product.

Similarly a schedule of list prices with discounts representing wholesale and retail dealers' profits with a final discount for cash are usually worked out for lines to be sold by the general merchandizing plan.

In calculating export prices the manufacturer should anticipate that the selling cost will, under exclusive agency arrangements, average from 20% to 35% more than it does when the same method is used at home. Under the general merchandizing plan the increase in selling cost will be slightly less, probably averaging from 10% to 25% more than in the domestic market. This, combined with the fact that, as previously explained, the local distributor abroad must have a wider margin of profit than is customary in the United States, makes it advisable that all list prices for export should range somewhat higher than in domestic selling.

It is probable that, unless the manufacturer is fortunate enough to secure previously the services of an export manager with experience in his line, the range of prices established at the beginning will later require some revision up or down. This is not a difficult matter, for if the various factors have

58 AMERICAN METHODS IN FOREIGN TRADE

been analyzed and given careful consideration by a prudent man, the revision will usually be downward. It is obviously better to start with prices a little too high rather than a little too low as, if selling methods are sound, this will have no retarding influence in the beginning and the subsequent lowering of prices to old customers can only result in benefit if it is done diplomatically.

In determining what your export prices are to be, do not attempt to find out what similar goods are selling for and then try to meet these figures. You know or should know your costs. Allow yourself a fair profit and go out and fight for recognition like the good American business man that you are. If your prices are higher than your European competitor's, remember that it is human nature to attribute superior quality to the article which commands a higher price. Remember too that the percentage representing the difference in net cost F.O.B. port of origin between two similar articles, figures less to the overseas user who must pay for either *a price which includes this cost plus the same transportation charges, the same selling expense and in many cases the same import duty.*

There is a distinct trend toward the extension of the practice of quoting export prices C.I.F., that is, covering Cost, Insurance and Freight, or C.I.F.C., covering these items and Consular fees, thus giving the foreign importer an exact idea of the cost of the goods delivered at his port of entry. These prices are quoted subject to variations in insurance and freight rates, and deliveries are only guaranteed under carefully prescribed conditions designed

to protect the exporter. Where such quotations can safely be made, it is very helpful to the foreign buyer especially in negotiations with new sources of supply, and it is to be hoped that the marine insurance and transportation companies will in the future facilitate in every possible way the attempts of our manufacturers to quote delivered prices to their overseas customers.

Those who in their domestic selling operations attempt to fix the prices at which their goods should retail will find it practically impossible to carry this policy into foreign markets, though in some cases it can later be worked out to a limited extent by co-operation with exclusive agents. Price maintenance is a difficult matter in countries where the local currency is not on a gold basis and is consequently subject to wide fluctuations or where the primitive state of transportation sometimes makes the cost of an article to a dealer in mountain regions double what his compatriot in a coast town pays for it. Plan to get your price F.O.B. United States port or C.I.F. and leave to agents and dealers the problem of fixing exact retail prices.

Generally speaking it is not good business to sell anywhere except at a fair profit. As repeatedly stated in previous chapters our success in exporting most lines of manufactured goods does not depend on meeting price competition but rather on the quality of our products and the co-operation extended to distributors based on a sympathetic appreciation of the circumstances under which they are working.

CHAPTER XII

MAKING A START IN DIRECT EXPORTING

THE high development of direct relations between exporting manufacturers and their foreign customers and the consequent bridging of the gap between producer and consumer is but a logical extension of the tendency to eliminate unnecessary middlemen in our national distribution. It is not so much a question of the money saving involved, for sometimes no saving results. The improved service rendered and the good will built up by our manufacturers who take off their coats and work with and for their distributors and consumers, have been powerful factors in our fight for a share of the trade of all foreign markets.

For Europe still clings and, from all signs now visible, will continue to cling, to the methods of our forefathers. In all the manufacturing countries of the Old World, the producers do not know very much about selling their own products and care altogether too little about what becomes of them or what service they give, after they are sold. They are inclined to content themselves with solving the admittedly serious problems of production, leaving the equally important work of selling to agents and jobbers who are much interested in their own

profits, but concern themselves but little with the future of the producers of the goods they handle. Yet we are urged to forgo this, our great competitive advantage, by nationalizing our foreign trade, and merging our great selling organizations into export jobbing combinations to the complete obliteration of individual prestige and distinctive salesmanship!

The manufacturer who decides to do a direct export business on the exclusive agency plan, having fixed a tentative schedule of prices, must next take steps to find and appoint his agents. This may be done by sending a representative to make a personal investigation, by circularizing a selected list of possible representatives or by advertising either in an export publication or in local media in each territory. Probably a combination of at least two and perhaps all of these methods gives the most satisfactory results.

There is nothing to be said against the effectiveness of the personal visit. Probably by no other means can the manufacturer so quickly pass on the qualifications of a prospective foreign agent. Yet the task of a man, however competent, sent, for example, to Buenos Aires, to find and open negotiations with the best possible firm or individual to represent an unknown house with an unknown line, is a difficult assignment. Many American manufacturers have dispatched such emissaries only to discover, much to their surprise, that their excellent home reputation had not preceded them into the foreign field and that much more satisfactory results would have been secured had some preliminary

62 *AMERICAN METHODS IN FOREIGN TRADE*

or simultaneous circularizing or advertising been done.

Many makers have secured suitable foreign agents through correspondence originated by a combination of skillful circularizing and advertising. This process may be slower, but by virtue of the large number of prospects covered, it frequently reveals possibilities of highly advantageous connections with firms whose interest in the product would not have been discovered by a personal representative of the manufacturer. Foreign importers often take on with great success lines totally unrelated to their previous activities. The task of uncovering such prospective sales agents by a personal canvass of the field is not an easy one.

In making a start in general merchandizing exactly the same methods may be used. Here the immediate objective is of course the securing of initial orders from established merchants instead of the making of agency arrangements and even more emphasis should therefore be laid on the importance of preliminary circularizing and advertising. To approximate the highest possible volume of trade in any territory, personal work either on dealers or through agents is without doubt an essential, but many ill-considered journeys through foreign markets have been made by salesmen who, unsupported by previous preparatory work, have found themselves obliged to forget their original intention of making their trips profitable, devoting their efforts instead to the missionary work that might well have been done from the home office. Such changes in plan have frequently proved profitable in the long

run, but that much discouragement and loss of time might in these cases have been avoided by a more intelligent use of all the modern means of sales promotion, is not to be doubted.

There are many instances of exceptional success in general merchandizing campaigns where no one has ever been sent abroad to represent the manufacturing firms. Intelligent and persistent advertising and circularizing with careful attention to resulting correspondence in time developed demand in many countries to a point where the lines became attractive to local selling agents who now act as resident salesmen for them. Such representatives, who sell on commission for the manufacturer's account, should not be confused with the exclusive agents whose function is discussed in Chapter IX, for their work is strictly analogous to that done by traveling salesmen in this country. The employment of this means of building up a foreign trade will be more thoroughly discussed in Chapter XVI.

There is nothing difficult or mysterious about making a start in direct exporting, which, as the term implies, means the maintenance of direct relations with foreign buyers, be they exclusive agents or dealers. This does not by any means signify that orders may not be handled through export houses. The employment of these facilities as buying and shipping representatives depends largely on the volition of the foreign importer who may or may not prefer to do business through them. In no case should the manufacturer attempt to stipulate through whom purchases shall be made. He has a right to ask for his price, regulate terms and assure

64 *AMERICAN METHODS IN FOREIGN TRADE*

himself as to the credit risk, but beyond this point he is in the hands of his overseas distributors with whom it is his privilege and duty to co-operate, but to whom he cannot dictate.

CHAPTER XIII

CIRCULARIZING BY THE BEGINNER IN DIRECT EXPORTING

CIRCULARIZING and advertising play much the same parts in foreign as in domestic trade. Properly employed they are an invaluable means of making agency or dealer connections and later on of co-operating with such distributors in the building up of a consumer or user demand.

The most suitable circular for the introductory work of originating correspondence with prospective agents or dealers is a simple but attractive presentation of the most novel or popular articles of the line, with incidental mention of the rest or some indication of the standing of the maker and of the scope and character of the production facilities back of the goods. Bombastic over-statements should be avoided. Say what you have to say, simply and frankly.

This circular should be enclosed with a letter which places most of its emphasis on the service and co-operation the manufacturer plans to extend to all who handle his line. There is some difference of opinion regarding the efficacy of form letters for this purpose, but those who oppose them seem in the past to have depended for success on their deceptive possibilities rather than upon the char-

acter of their contents. Their indisputable effectiveness is seldom if ever due to their delusive qualities, but to the fact that they are interesting to the man who gets them. Printed forms masquerading as personal, individual communications have seldom misled intelligent business men. When they read them, they do so because the message conveyed comes to them in a familiar and easily comprehended guise. Men are creatures of habit. They seldom discard a letter of any kind without a glance, for fear it may be worth reading. Having looked at a form letter they may read it, not as a rule because they are tricked into so doing, but because it seems to them to deserve attention.

If prices are mentioned in export circulars, they should be list, reserving the quotation of discounts for ensuing correspondence. Many export managers refrain from any mention of them, list or net, in their circulars or other forms of general advertising, devoting their first efforts exclusively to arousing interest in the line. Most salesmen will agree that in selling quality goods price should be the last thing discussed.

Some of the more conservative foreign sales managers are opposed to the general circularizing of prospects for exclusive agencies on the ground that what the manufacturer has to offer is thereby cheapened in the eyes of the importing houses thus addressed. The validity of this objection would seem to depend largely on the form of approach employed. No business man would argue the advisability of suddenly deluging a list of foreign firms with a definite offer of an exclusive agency

arrangement, but there can be no real objection to the use of a general circular presenting the attractive features of a line in such a way as to suggest to all readers the desirability of representing it locally. And there seems to be no reason why incidental mention that agency applications will be considered cannot be made in such a circular. The best representative for a given line in any foreign market is often a very small needle in a very large haystack and it is difficult to understand how all the possibilities can be uncovered except by blanketting the field in a preliminary way.

The direct exporter should, in the beginning at least, circularize commission houses, many of which as resident buying agents for foreign firms are on the alert for new lines in behalf of their overseas clients. Where the general merchandizing plan is used, such circularizing should be kept up as long as there is a chance that the percentage of returns in the form of new foreign connections and the strengthening of old ones, will make the investment a profitable one. On the other hand, lines that are to be sold by the exclusive agency method need not perhaps be kept so continuously before these factors after fairly adequate foreign representation has been secured.

In approaching export commission houses, the same printed circular matter that is sent abroad may be used, but it should be accompanied by a special letter stating just what work is being done direct in foreign markets so that these buying agents may be prepared for any interest later manifested by their clients and may, if they care to, take

the initiative by making an intelligent presentation of the matter to those they serve.

The attitude of the prospective direct exporter toward export commission houses should be determined by the constant realization that they are the more or less trusted buying representatives of many worth-while foreign firms and, as such, have influence with them. As previously pointed out, the entirely fair attitude is that of willingness to meet the wishes of overseas buyers as to how transactions are to be handled.

Direct mail work should play an important part in the campaign for foreign business. Many of our most successful exporting manufacturers owe their start to intelligent and thorough circularizing combined with the judicious use of space in export publications. Sometimes such beginnings were later expanded by the efforts of representatives on the ground, but there are noteworthy instances where gradually and at little expense, all of the markets of the world have been developed chiefly, if not entirely, by persistent and painstaking circularizing and advertising supplemented by careful attention to resulting inquiries. It is true that no quick "killings" can thus be made, but under normal conditions overseas countries are not gold mines where rich strikes are to be expected, but rather fields of great productive power for those who know how, patiently and thoroughly, to sow the seed and cultivate and gather the ever-ripening harvest.

Again it should be stated that the value of personal representation is unquestioned, but it must always yield precedence in importance, first, to

soundness of policy and second, to the ability with which that policy is carried out in the home office. Manufacturers often expect to accomplish too much by merely sending salesmen abroad with catalogs and samples, forgetting that what the foreign buyer wants is not merely good merchandise at fair prices, but permanent and reliable sources of supply for such goods.

CHAPTER XIV

EXPORT PUBLICATIONS AND THE BEGINNER IN DIRECT EXPORTING

THERE are two kinds of journals published in the United States for foreign distribution. The largest class comprises those of general circulation among wholesale importers, companies engaged in mining, the operation of public utilities and the management of large private enterprises, the more important retailers—in short, among all those who do business in foreign markets on a sufficiently large scale to make it profitable for them to import either for resale or for their own needs.

The second class consists of publications each of which is designed to interest a certain class of readers, such as planters, druggists, shoe retailers, automobile dealers, etc., more or less without regard to their direct buying power, but rather with the idea of influencing through them the purchases made by importing distributors.

Each of these has its sphere of usefulness, but unless the line to be sold is one whose unit is large enough to make single initial sales worth while, the general export publication is best for the beginner who is looking for exclusive agents, dealer connections or initial orders from users whose needs are sufficiently large to warrant direct buying.

At first glance it might seem to the uninitiated that the use of a publication purporting to reach only those who are known to be interested in his line would involve less waste in circulation and give quicker results. Many have been led astray by this assumption.

Generally speaking, the foreign firm whose activity in any one branch of trade is sufficient to attract the attention of an American publisher of a paper devoted to that line alone, is not a good prospect for makers of those goods who are trying to get a foothold in overseas markets. The very activity which the publisher notes is a sure indication that such a foreign firm has made connections with satisfactory sources of supply in this or other countries and having identified itself with the goods produced by certain makers, will not, under normal conditions, be quick to make a change.

In most foreign markets the best prospective importers of any one line are, for the beginner, those firms which have connections with makers of that line so unsatisfactory as to prevent them from attracting much notice; those which, having handled allied products successfully, are ready to be shown how they can extend; or those which, never having handled the line in question, but interested in it by noting the success of others, are inclined to devote some of their capital and energy to it when an attractive opportunity comes along. Only the general publication, which blankets the field, can claim to sift such prospective buyers from the scores of thousands of importers of manufactured goods.

The circulation of every important general ex-

72 AMERICAN METHODS IN FOREIGN TRADE

port publication is practically all free. A paper, no matter how excellent, no matter how valuable from the reader's point of view, must be sold like any other manufactured article. The difficulty of conducting at very long range a campaign for paid circulation and of collecting the small amounts due for each subscription and the renewal thereof, combined with the recognition of the importance to the advertiser of many foreign importing firms who might never take the trouble to subscribe, forced on the first publishers in this field a certain amount of free distribution and gradually made it apparent that what is now called "directed circulation" was the only practical plan of operation. By this method the copies over and above those required to serve the small percentage of paid subscribers are sent free to carefully selected names of foreign buyers with a frequency that varies with the relative importance of each. In this way hundreds of thousands of firms are reached each year.

Some advertisers trained to regard paid circulation as a *sine qua non* of publication publicity profess on this account to disbelieve in the efficacy of export papers. There would be more point to this, if it were possible for them to buy a *paid circulation among foreign buyers generally*. This they cannot do and it must be admitted that any advertising is good which reaches and interests enough of the right people. That export publications do this there can be no dispute.

American manufacturers seeking foreign trade need so much in addition to publicity that export publishers have found it necessary to maintain for

their advertisers a supplementary service in the translation of correspondence, supplying lists of names for circularizing purposes, reporting on the standing of foreign firms and helping to solve special problems as they arise. This service has been so highly developed that it has come to be considered one of the most valuable facilities at the disposal of the seeker of overseas trade.

Too much should not be expected of export publications. They give the best results only to those who know what they are trying to do and who supplement the publicity their columns afford by circularizing and by careful attention to detail in handling inquiries. A combination of circularizing and the use of representative space in at least one and preferably two export journals is very likely to get the attention of the right men at the right time and usually constitutes a sound campaign for the beginner.

The reputations of export papers have in the past suffered severely at the hands of manufacturers, who without having formulated a sales policy, assigned a competent person to take charge of the work, or planned any supplementary circularizing, have nevertheless made a contract for space in one or more publications and then waited for business to develop. The capacious lower right-hand drawer of the sales manager's desk in many an American factory organization is filled to overflowing with neglected or mishandled foreign correspondence, some of it with importing firms who could buy the factory, good will and all, without serious financial extension, and most of it worthy of careful atten-

tion. To look over the mass would make any good export man weep for the lost opportunities it represents, if his first feeling were not annoyance for the harm done those who, in their future efforts to get a foothold in foreign markets, must first convince foreign buyers that they are not like other American manufacturers of their acquaintance.

The complaints of poor packing, lack of attention to detail and what not that emanate from visiting foreigners, returned tourists and American consuls and are repeated *ad nauseam* by the press and by speakers at foreign trade conventions, are not characteristics of American exporters, but originate in the attempts of foreign buyers to do business with non-exporting manufacturers who expect trade to be handed them for the asking or to be won for them by the fruition of some much-advertised scheme for removing the obstacles which are supposed to keep foreign orders from flooding their mail. It is the manufacturer who is willing to do everything to get foreign trade except work hard for business and handle it properly when he gets it, that inspires all the unfavorable comment.

In the meantime the skillful, hardworking builder of foreign distribution and good will receives little attention. "There is no news in being good," says Mr. Dooley. From the point of view of the general public this is true, but it is time for those Americans who are really interested in foreign trade to stop listening to warnings as to what not to do and find out how their manufacturing neighbors, the best exporters in the world, have built up a world-wide demand for their products.

CHAPTER XV

THE EXPORT CATALOG

THE export catalog is one of the stumbling blocks of the beginner in direct exporting. There is no good reason for this except a provincial disposition to regard other peoples from our own point of view and a lack of realization that big worth-while things do not spring into being over night.

No matter how complete your line, how wide the range of your products, do not regard that as the all essential thing to be demonstrated. Do not gag a prospective overseas buyer by trying to ram all your products down his throat at the start. Rather use some of them as appetizers. Foreign importers are not primarily concerned with your products. They can probably get them from many sources. Their first interest in you is as a possible source of supply for goods which are or may be in demand in their community.

Do not think that, because a competitor, who is an experienced exporter, has a very elaborate and voluminous catalog, you must imitate it. You must creep before you walk. There are many buyers that the rival maker does not sell because they do not like him or his methods, because he has overlooked or neglected them or because for some reason, such as proximity to an old customer, he does not consider it advisable to sell them. Keep your confi-

dence in your own goods and policy, disregard competition and go out and make a start.

Do not, therefore, take a bulky domestic catalog that is the result of your many years' experience in the home market, translate it into several languages, print it at great expense and send it out to a big list of possible foreign customers.

Put yourself in the other man's place and try to imagine which of your many products will most appeal to him. Get advice, by all means, as much as you can of it, but do not be guided by it alone. You make the goods and have sold them to human beings who have much in common the world over. Listen to what others say but put it to the acid test of your own special knowledge of your own line. Never eliminate your own business experience as a factor in formulating your export selling policy. If you find something in this book that does not harmonize with what you have learned by hard knocks, throw it out. Even if it is right, it is probably useless to you because you will not carry it out sympathetically.

Do not jump at the opposite conclusion that your first export catalog can consist of some leaflets describing a few leaders and signed "Yours very truly." By all means give the reader a line on the range of your production, the excellence of your fabricating facilities, the care you exercise, the skill of your workmen and everything else that has any bearing on your desirability as a source of supply. The point is that you need not or rather ought not to start with an export catalog that illustrates and describes, in great detail, every product and

every repair or replacement part that you make. It is all right to do that for "the trade" at home but wait till you have a trade abroad to do it for and you will then have learned enough to do it intelligently.

Quote only list prices in your catalog, reserving discounts to be given in correspondence or by enclosure of separate discount lists. Some exporting manufacturers quote both prices and discounts separately. What you make and how you propose to sell it must decide such questions.

Give the equivalents in the metric system of all weights and dimensions that appear in the English system. Where extreme accuracy is important, carry out the decimals four places if necessary. Where it is not, two places will suffice.

Describe just how your goods are usually packed for export, giving the weight and dimensions of each unit, the number of units per package, box, crate or bale, the gross and net weights and any other information that may be necessary to satisfy customs requirements. To determine these matters, consult with freight forwarders and other service organizations and with the consuls of the different countries in the United States.

Write the copy for your English export catalog in the plainest and simplest language possible. Avoid technicalities and the patter of your craft. Many trade terms which are current in the United States are unintelligible in other English-speaking countries. If you have lived so long in the atmosphere of your line that you cannot describe it in everyday, universally understandable English, do

78 *AMERICAN METHODS IN FOREIGN TRADE*

the best you can and then call in an advertising man who knows nothing of your business and say:

"Here is our version of our export catalog. It expresses what we want to say. Go over it and if you find anything that you think may be obscure to New Zealanders or South Africans, come to me and I'll explain it so that you can make it clear. If you find it desirable to leave technical terms as we have them and they cannot be found in any ordinary dictionary, do not hesitate to use as many and as voluminous footnotes as you deem necessary."

If you will do this it will improve your catalog. The man who might have understood it all anyhow will comprehend and appreciate your thoroughness and the man who might not have grasped the meaning of everything will be delighted by your effort to make all things plain.

Particularly is this plan to be recommended where the original is to be translated into a foreign language. Many alien tongues are not as rich as English in technical terms and when they have the exact equivalents, the translator may not know it if the original is not clear. Always remember that only ideas are translatable. Words have their equivalents but stringing equivalents together is no true translation at all though it may result in what is sometimes called a "good literal translation" which signifies about what we mean when we say that a foreigner expresses himself in fairly clear but broken English. Every idea contained in the original must be thoroughly understood by a translator who has the ability to express himself in his

language reasonably well, in order to give you an effective foreign catalog.

It is very discouraging to a foreign buyer to get in touch with a source of supply whose line and policy seem right, and then find, when he undertakes a thorough study of it as described in a catalog that is obviously intended for his use, that after sailing along smoothly for a time, he runs head on into an immovable mass of jagged words—a jargon that is all the more exasperating because it seems to mean something but the significance of which eludes the most painstaking effort to grasp it. Do not expect such buyers to write you for explanations. Foresee these difficulties and steer clear of them.

As you progress in the forming of foreign connections you will learn much that will enable you to improve and enlarge your catalog. The better the start, the quicker your advance and when you arrive at the point where you are sending out in various languages an imposing printed presentation of your line and policy, it will be a great asset to you for it will be the product of your own activities and not a crude and palpable imitation of what someone else is doing.

CHAPTER XVI

AMERICAN SALESMEN IN FOREIGN TRADE

FOR years we have heard much about the commercial representatives who, with over-praised German efficiency, are trained from early youth for service either as itinerant salesmen or resident agents in overseas markets. We have been told that before we can compete with Germany in world trade young Americans must learn several languages and otherwise equip themselves by special courses of study to spend their lives traveling about the world or to marry into good families in foreign countries and settle down there to a happy life as ambassadors of our industrial interests.

If our future as an exporting nation depends upon our persuading thousands of able young Americans thus to expatriate themselves or dedicate themselves to a wandering existence in remote corners of the world, the outlook is indeed gloomy. Fortunately, however, our self-appointed export advisers have as usual, in their adherence to a theory, overlooked the very important fact that for years before the War we did compete very successfully with Germany without satisfying this supposed requirement to any considerable extent.

There are no set rules for success in business. One man may triumph by methods which would spell

failure for another. Each must work along the lines best suited to his temperament and the conditions which environ him. The pioneering American manufacturer, unable to find or train for himself any considerable number of high class overseas salesmen, adapted to his needs the materials that he found ready at hand, as will be seen later on.

Young Germans did not deliberately choose to dedicate themselves to a nomadic existence or to exile in a foreign country when they might have found as good or better opportunities at home. It is doubtful if they could have been persuaded to take this course under such circumstances. The fact is that the fatherland was overcrowded and far-seeing political and industrial leaders simply turned to their own advantage the exodus that was therefore inevitable by making it possible for the more adventurous spirits to foresee a greater future in selling goods abroad than in emigrating in search of opportunity and eventually renouncing their citizenship as so many of former generations did. The "Dual Allegiance" of which we heard so much in the early years of the great war, was in its economic aspects part and parcel of this more or less successful plan, though it undoubtedly had political objects of equal or greater importance. Thus was necessity made a virtue and a prospective loss turned into an asset, but this would not have been possible in any country in which economic conditions did not cause its young men to look to other lands for their life opportunity.

Until such conditions exist and are similarly utilized in the United States it is doubtful if we

82 *AMERICAN METHODS IN FOREIGN TRADE*

will ever have an adequate supply of native-born and specially trained Americans as foreign trade salesmen. May the flower of our youth ever find great opportunities without leaving the land of their birth and severing home ties for all time.

Fortunately, however, there are always more ways than one to accomplish any given business purpose. Let us see how American manufacturers have given the rest of the world its most dreaded competition in world markets practically without the use of trained salesmen attached to their home office and without the local co-operation of American business men resident in foreign countries.

In the first place, in that large proportion of lines which have found the exclusive agency plan of advantage, the manufacturer has no need of salesmen in the ordinary sense. The whole problem is placed squarely on the shoulders of resident agents who act as sales managers for their territory. These representatives themselves may be English, French, Italian, Spanish or of other nationalities. They may or may not be natives of the countries in which they do business. Many of the best South American agents for American lines were, previous to 1914, German or of German descent. The men employed by them were of many different extractions but usually they were born and educated in the country in which they worked.

Ordinarily it matters little to the American manufacturer what blood flows through the veins of his agents or of the men whom the latter employ to do the intensive selling work for them. He is only concerned with their standing, with their ability to

interpret the spirit of his organization and with the results they obtain.

Right here it may be well to correct a widespread misapprehension regarding the influence of national feeling on international trade. There seems to be an impression that the Englishman gives the preference to British goods, the Frenchman to the products of the factories of his home country and so on. Experienced export men will testify that in practice they encounter very little patriotic prejudice of this kind. The first consideration of business men everywhere is the assurance of continued and increasing profit and, quite regardless of the country of origin, they usually buy or represent the lines of goods that in their judgment are the best for their territory. English, French, Italian and even German firms have frequently handled American products to the virtual exclusion of goods made in their own home lands.

This, it may be remarked in passing, is the chief reason why a national trade mark, applied indiscriminately to all goods made in a given country, is useless. Under normal conditions, free from the violent prejudice engendered by war, agents and dealers are principally concerned with their continued profit and users are chiefly interested in the suitability to their needs of the goods or articles purchased. Where they are made matters little. How well made and fairly priced they are is very important and in no country is a high standard of quality consistently maintained by all makers in all lines.

In this connection also it may also be well to con-

84 *AMERICAN METHODS IN FOREIGN TRADE*

sider how practical are the theories regarding the value to manufacturers of fostering a so-called "American atmosphere" in overseas markets. There is no question that the better foreign business men know us and our methods, the closer will be our commercial relations, but in view of the manifest difficulty of making it attractive for large numbers of American citizens to settle down and form colonies in the large trade centers of our principal overseas markets, is it not at present more feasible for our individual manufacturers to go on creating American atmosphere in the offices of the firms they do business with in the way that they have in the past, that is, by forming practical business friendships and seeing to it that these relations become permanent?

To return to the question of salesmen, the only necessary traveling by direct representatives of manufacturers who use the exclusive agency plan consists of trips for appointing agents and for overseeing their work in a spirit of co-operation. Such journeys are always made by the export manager or an assistant and do not involve continuous absence from the United States for long periods. They are or may be alternated with intervals of work in the home office where the plans for co-operation originated by such visits, must be developed. Thus the exclusive agency plan practically eliminates the need of employment by the manufacturer of what are ordinarily called traveling salesmen.

Those who use the general merchandizing plan of foreign trade building obviously have no one to relieve them of the necessity of maintaining a staff

of traveling salesmen. Usually a start is first made by a well-planned and carefully executed campaign of circularizing and advertising with painstaking attention to the correspondence thus developed.

As the business grows the export manager is confronted with the necessity of cultivating the field more intensively by the employment of salesmen. Some have solved it in the nearer countries by training young Americans with a knowledge of the necessary foreign language (usually Spanish) to cover these markets from the home office while others, seeing the difficulty and almost prohibitive expense involved in this line of procedure if carried out in the more distant countries, have adopted the plan of appointing in each territory a resident manufacturer's agent with experience in allied lines and consequent acquaintance with the trade.

These resident selling representatives should not be confused with exclusive agents who, as has been stated, act to all intents and purposes as managers of factory branches. The selling agent now referred to also has his own territory and is interested in all business secured there, but here the resemblance ends, for his compensation is a salesman's commission (usually 10% or less), he carries no stock, takes orders only for the account of the manufacturer, assists in making collections and adjusting complaints and in general does for the factory organization exactly what any traveling salesman is supposed to do for his firm.

Such selling agents, in consideration of a commission to be paid on all orders or collections from their territory, agree to travel it, in person or

86 *AMERICAN METHODS IN FOREIGN TRADE*

through associates, and use their best efforts, in harmony with those of the manufacturer, to secure business. They are seldom importers on their own account, as this would place them in direct competition with some of their best customers, the commission on whose orders is worth more than the possible profit on goods the salesmen themselves might import.

If the manufacturer who adopts this plan will select his selling agents with the care and deliberation which he exercises when taking on domestic salesmen, it is quite possible to build up an effective organization in all important foreign markets. Here again nationality is of minor importance, the chief considerations being character and ability. As the question of credit is all on the manufacturer's side, little inquiry as to the financial standing of applicants is necessary beyond ascertaining that they are able to assume the risk of conducting their selling efforts until sufficient business is developed to make them self-supporting. In some cases where otherwise well qualified men are unable to finance the introductory work, it has been found advantageous to make certain monthly or quarterly advances to cover expenses until such time as they may gradually be deducted from commission checks.

Negotiations with such selling agents may be opened by circularizing, by advertising in export publications or by a personal canvass of the various trade centers on the part of a representative of the manufacturer. Unless the circumstances are unusually convincing it is customary to make only tentative arrangements, especially if the maker

already has by his own unaided efforts developed a considerable volume of business in the territory. These and other precautions will occur readily to any ordinarily good business man.

The selling agent has one decided advantage over the salesman sent out from the manufacturer's home office. He has local standing, social and commercial, and knows his territory. If his previous business experience has been in allied lines, his personal acquaintance with individual importing wholesalers and retailers may quickly develop business which it would take a stranger months, perhaps even years, to secure. His disadvantage is that he may lack special training in selling any given product but this the good export manager will soon remedy. Many such agents visit the factories they represent regularly and consider themselves as much a part of their sales organizations as do the senior domestic salesmen.

A few of our exporters are experimenting with a plan by which carefully selected young natives of other countries are brought to the United States on a nominal salary and are given a thorough training at the home office under the watchful eye of the foreign sales manager. One pronounced success among many partial or complete failures will fully compensate such expenditure of time and money. Enough has already been accomplished along these lines to demonstrate the value of the plan if capably carried out.

Thus have American manufacturers solved the problem of adequate sales representation in foreign markets. There is nothing to prevent others from

88 *AMERICAN METHODS IN FOREIGN TRADE*

following in their footsteps if they will formulate a sound policy and then work it out patiently and with due regard for the interests of all whom these activities bring into association with them.

CHAPTER XVII

CO-OPERATING WITH FOREIGN AGENTS AND DEALERS

ONE of the characteristics that distinguishes the work of American manufacturers in foreign markets from that of their European and especially their German competitors is the intelligent interest they take in the welfare of their agents or dealers and in seeing that their products give satisfaction to the user. There is nothing new or original in this, for with us it is the accepted thing in domestic selling, but few American executives realize how far we are in advance of the rest of the world in this respect. The refinements of dealer co-operation are so distinctively American that when introduced into overseas selling and patiently and thoroughly carried out, they have placed our manufacturers in a position to disregard competition. Again the reader is reminded that the best American export methods are but adaptations of those that are used at home as a matter of course, yet the results they have given abroad led observant German consuls, as far back as 1905, to voice many warnings from their posts in South America and elsewhere.

There is virtually nothing that we have worked out along these lines that, suitably modified, is not applicable to conditions in all foreign markets.

90 *AMERICAN METHODS IN FOREIGN TRADE*

Under the exclusive agency plan the export manager or his trained assistants frequently takes charge on the ground of training the men whom sales representatives have selected. Skilled demonstrators and repair men are sometimes sent out to become temporarily identified with agents' organizations till such time as others become sufficiently acquainted with the line to take their places. Representatives are encouraged to visit the home factory to further cement the business relationship, to study selling methods and to carry back with them that degree of confidence and enthusiasm which only results from an intimate acquaintance with the organization behind the product and the care with which it is made.

Agents are not only encouraged but shown how to circularize their market. Ordinarily the circulars to be used are prepared by the export manager in collaboration with the advertising department, submitted to the foreign representative for suggestions and, when satisfactory in form, are supplied by the manufacturer to the agent, mailed out direct or both. Lists to be circularized, compiled by export publications or service organizations of various kinds, may be submitted to agents for cross checking or to be supplemented with the names of buyers as yet unknown in this country. Circulars are usually sent out over the names of the manufacturer coupled with that of the agent as local sales representative.

Under the general merchandizing plan, many forms of dealer co-operation are possible. Here, too, circularizing and the supplying of printed matter

for store distribution play an important role. Sampling and demonstrating campaigns are frequently very much worth while. Suggestions for window displays and supplying display devices, hangers, posters and electrotypes have all been found helpful. The manufacturer should always keep in mind the fact that in but few if any foreign markets has scientific merchandizing been developed to the extent that it has in this country. By fully acquainting himself with the methods overseas dealers are using and the conditions under which they are working, it may frequently be possible to make better merchants of them by tactfully suggesting the use of plans and equipment with which the manufacturer's experience in domestic selling work has made him so familiar that he sometimes forgets that everyone else does not know about them.

Some of our exporting manufacturers keep a file of exterior and interior views of their foreign customers' establishments together with all obtainable data regarding their circumstances and methods solely as a guide to intelligent co-operation. There are instances where they have with excellent results advised the use of special store equipment coupled with estimates and the offer to purchase and ship on the merchant's order.

Not a little can be accomplished by the manufacturer's constituting himself a source of information and advice regarding lines of goods made in the United States. Foreign dealers who, as before stated, want to know a great deal not only about the goods they handle, but also about the organizations back of them, often experience great difficulty

in attaining the intimate knowledge that they require before stocking a new line or accepting a substitute for one previously carried. To supply this means some investment of time and money, but it is almost invariably profitable, directly or indirectly. In territories where the manufacturer has a sales representative, all assistance extended to dealers should of course be with the co-operation of this salesman who may be kept advised of the status of each account by copies of letters received and the answers thereto and by frequent direct communications from the home office.

Generally speaking, lines for which general publication advertising is beneficial at home, must, to achieve the greatest possible results in foreign markets, receive the benefit of similar publicity. The importance of this subject is, however, so great that it will be given a chapter by itself.

The good exporting manufacturer carries into foreign markets that conscientious regard for the ultimate user that has done so much to build up good will for him at home. Till the consumer, that most important factor in trade, is not only satisfied and comes back for more, but also goes out of his way to tell others of his gratification, foreign selling has not been developed to its highest possibilities. The ways in which this can be accomplished, provided of course that the goods are right, are numerous and familiar to all good sales managers. Special mention may, however, be made of the guarantee tag authorizing the dealer to replace at the expense of the manufacturer any article which in his judgment has within a given period of time been

found defective in quality or workmanship. Such tags, printed in the dealer's language and attached to samples, accompanied by a statement that all goods ordered would be so guaranteed, have frequently led dealers to stock lines of higher first cost, when in no other way could they have been so quickly convinced by the manufacturer's claims of superiority.

Another distinguishing mark of the good exporting manufacturer is his manner of handling complaints from overseas importers. The doctrine that the customer is always right may sometimes work injustice or hardship, but if any foreign agent or dealer whose standing is unquestioned and whose good will is therefore a great asset, cannot readily and tactfully be convinced that his claim is an unjust one, it is better to satisfy it in full. Avoid lengthy squabbles and partial agreements. Do not try to make the other man meet you half way if he thinks that you should go the whole distance. Rather put him under obligations than let him feel that you have taken the slightest advantage of him. Forget the immediate dollar and keep your eye on the hundreds and thousands that he will make for you. It pays.

All this may seem to the reader to make the road to export success a difficult one, but the carrying out of all the suggested lines of thought and action must of course be a development. In the beginning the manufacturer, with a full realization of the value to him of foreign markets, with faith in his product, and having in mind a definite selling plan should enter the field determined to bring home to

94 *AMERICAN METHODS IN FOREIGN TRADE*

distributors and users alike, the fullest possible realization of what he has to offer and of the excellence of his intentions. In doing this, if he will remember his domestic experience and keep in mind the fact that human nature is much the same the world over, all the rest will come easily and naturally.

CHAPTER XVIII

GENERAL PUBLICATION PUBLICITY IN FOREIGN MARKETS

MANUFACTURERS who have found general advertising to be essential to the complete success of their sales efforts in the home market should also use such publicity in building up foreign distribution, especially in the more important countries.

There is some difference of opinion as to the best way to handle general publicity abroad. Many manufacturers whose overseas business has been built up on the exclusive agency basis have left the details of each local advertising campaign almost if not entirely in the hands of their resident representatives. In such cases the agent may set aside a percentage of his total sales, the manufacturer contributing an equal amount, or the latter may bear the entire expense involved. This appropriation the agent may place as he sees fit, contracting either direct with publishers or through local advertising organizations.

Sometimes when the amount involved is large and is appropriated almost entirely by the manufacturer, the latter stipulates that the final schedules and plans must be looked over and approved by his export and advertising departments. In much the same way exporters who use the general mer-

chandizing method sometimes put their publicity campaigns in the hands of their local salesmen. Occasionally the manufacturer makes direct arrangements with advertising agents in each market, who supposedly work in harmony with sales representatives on the ground.

All these plans have the advantage of relieving the home office of much detail work, but, in this as in other matters, the greatest success does not come to the man who gives too much importance to such a consideration. Generally speaking, the more closely identified the manufacturer is with the efforts made to stimulate a demand for his product, the better the result in the long run.

In no country has the use of publicity attained the degree of effectiveness that it has in the United States. It is only necessary to look over the columns of the best publications issued in other parts of the world to make this fact readily apparent. This being so, it follows that foreign sales and advertising agents, no matter how high their standing, how great their knowledge of local conditions or how high their ability in every respect, can hardly be qualified to obtain for an American manufacturer the greatest possible results in the handling of general publicity. However painstaking may be the supervision of their efforts exercised by the home office, there is a point beyond which the most diplomatic critic cannot go under the circumstances, and the result is usually a compromise that is unsatisfactory to all concerned. Sometimes, too, local representatives are prejudiced in favor of media which, if the facts were at hand, the manufacturer

would regard as unsuitable. Often no satisfactory evidence that insertions are made as planned can be obtained from abroad by the advertiser.

As so frequently reiterated in the preceding pages, the best export methods are adaptations of those found best for each line in the home market and this applies with special emphasis to advertising.

The best plan seems to be that of selecting an advertising agent residing in the United States to handle all overseas campaigns. There are a number of organizations that confine themselves almost exclusively to placing advertising abroad and in recent years some of the large domestic agents have developed very efficient foreign departments. These firms possess an intimate acquaintance with conditions and media in foreign markets, have standing with local publishers abroad, know how to do business with them, and, most important of all from the advertiser's point of view, they are here on the ground where they can consult and work with the executives of the manufacturer's export and advertising departments. They are also in a position to insure through their checking departments that the plan adopted is being carried out.

Advertising campaigns, if prepared by such agents sufficiently in advance, may be submitted to local sales representatives abroad for suggestive criticism, thus obtaining the benefit of their acquaintance with conditions gained by actual selling work on the ground.

There are of course exceptions. The use of street-car and out-door advertising in some foreign

cities can probably be handled to better advantage by sales representatives or advertising agents located in these centers, though this form of publicity, effective as it is in some fields, bears so inconsiderable a relation to the whole subject that it is of no great moment to the average exporter. Probably each manufacturer, after making a study of the circumstances involved, can, by the exercise of his own common sense, determine upon a policy which, while varying with the conditions surrounding his distribution in each market, will for all practical purposes approximate what is theoretically best.

At this point the subject of trademark registration deserves attention. No local advertising campaign should of course, be initiated without obtaining all due protection afforded by the laws of each country. In fact, there are a few countries, of which Argentine and Cuba are the best known and most striking examples, where only priority of registration counts and where, therefore, this matter should be attended to when the first sales are made or at least before the line attracts the attention of those who make a practice of preying on manufacturers' ignorance of local laws.

Trademarks should, of course, invariably be registered in the name of the manufacturer. This seems elemental, but a surprisingly large number of exporters have in the past entrusted the carrying out of the necessary formalities to local representatives or friendly dealers, only to discover, on the rupture of business relations, that their trademarks were owned by the latter and that the rights thereto

could only be obtained by those justly entitled to them either by long and tedious negotiation or by process of law, either of which alternatives has usually been found to be expensive.

There are many large firms of patent and trademark lawyers that can take care of foreign registration and some work along these lines has been done by various service organizations operating through attorneys located on the ground.

The manufacturer must be prepared for some disappointment in the appearance of foreign advertising media. In few if any countries has the printing art been developed to the extent that it has in the United States, nor are publication owners accustomed to meet the demand for exact compliance with instructions that is taken for granted here. As a rule it is better not to entrust composition to the foreign publisher no matter how carefully the wishes of the advertiser may be indicated. Rather set each announcement for the space desired and send only electrotypes of it. Also be prepared to overlook some variation in the schedule of insertions. Foreign publishers are frequently unable to comprehend why you should object to slight changes in style of type or why, if space is lacking in the Monday edition, it is not just as satisfactory from your point of view to have an announcement scheduled for that day appear on Tuesday. This attitude is sincere, however unreasonable it may seem to us, and in the absence of media conducted more in accordance with our ideas, it is foolish to argue about it at long range. This is one of the situations that must be accepted as gracefully as

possible wherever it develops, limiting oneself to a diplomatic attempt to explain the manufacturer's point of view, till such time as a better understanding of the theory of modern advertising can be inculcated.

Similarly it is often difficult or impossible to obtain sworn statements or other circulation guarantees, not necessarily because the figures given are widely inaccurate, but because no records are kept in readily available form. In such cases the statements made are estimates and, while probably never doing the publisher any injustice, they are not, except in very few cases, seriously exaggerated.

These disadvantages are offset by some compensations, for it will be found that in markets where publishers are so little acquainted with modern advertising methods, they attribute much less value to their space and are therefore inclined to offer it at rates much lower than we are accustomed to pay for publicity in similar media of the same circulation at home.

The publication business in many foreign lands is still at the stage of development that it was in this country not so many decades ago, when the chief source of income was circulation and advertising was regarded as a by-product out of which the publisher got what he could without too much expense or inconvenience. This does not make the space any less valuable, but for his own peace of mind the exporting manufacturer who contemplates using it should have an adequate realization of the situation.

CHAPTER XIX

FOREIGN CREDITS

ARE foreign credits safe? This question has been frequently asked and a great deal of affirmative evidence has been offered by experienced export managers. Yet in these discussions this basic fact, which seems to dispose of the question finally, has usually been overlooked.

Normal commercial exchange everywhere rests on credit. If the character and financial condition of any considerable percentage of the business men of any land were such that they could not be relied on to meet their obligations, then the commerce of that country could never develop beyond the primitive stage.

Credit can therefore be safely extended anywhere in the world where trade conditions have advanced any considerable distance beyond the barter basis, if the same care is exercised as in domestic transactions. But can due discretion be employed without the investment of too much time and money?

This question is answered by the fact that hundreds of American manufacturers have done and are doing it. The necessary information is on file with service organizations or export publishers, or it can be obtained by them at a cost that is not excessive considering the fact that the average size of export orders is much larger than in domestic

trade because the foreign merchant must, as elsewhere shown, be much more forehanded and import in quantity.

The export manager can obtain much credit information for himself by encouraging prospective buyers to make it possible to investigate their standing. They may be induced to accompany their first orders by letters from local banks or refer to other manufacturers with whom they have credit. Our established exporters are almost invariably glad to assist their foreign customers and fellow manufacturers by responding freely and frankly to all inquiries regarding the standing of firms with which they do business.

Can an exporter realize anything like the full possibilities of a foreign market without extending credit? In most lines, emphatically, no. In the first place, until the relations of a manufacturer with a foreign customer have progressed to the point where the assumption of warranted risk is taken as a matter of course, there cannot exist that degree of close co-operation which is so essential to the highest development of distribution. It does not matter how assiduously the good will of the merchant is cultivated if these efforts are marred by a persistent refusal to grant the accommodation to which he is entitled. Such a stand is justly taken as evidence of narrowness of vision or lack of confidence, either of which is certain to be looked upon as an undesirable characteristic in a house that seeks to be regarded as a permanent source of supply.

There is an economic reason also. A merchant's capacity to do business is measured by his ability,

capital and credit. The first two no one can take away from him, but with them alone he is handicapped. An important function of credit is the multiplication of the usefulness of capital and the manufacturer who insists on demanding cash where accommodation is customary and warranted, not only automatically limits his own opportunity to do business, but deprives his customer of a right which he has earned and which is just as real an asset as his cash on hand. To refuse to extend credit wherever it is justified is an economic injury to the seller and is both an economic and moral injustice to the buyer.

There are exceptions to every rule. In distributing some products, such as automobiles, the extension of credit is not customary and is not therefore usually expected, but it may well be doubted whether manufacturers who have sufficient capital to do so, are not depriving themselves of a great advantage by not departing from the accepted procedure in their line. Export commission houses accept risks on all kinds of goods and "What man has done, man may do."

In other lines, such as heavy machinery built to specifications, some part of the selling price is exacted in advance, any balance due being collected by draft, shipping documents being deliverable on payment thereof. Sometimes advance liquidation of the whole amount is required, but if the standing of the buyer is good, there is little chance that, where from 25 to 50% of the total cost has been paid, the balance will not be forthcoming in order to obtain the shipment.

Foreign credits are much easier to pass on than are those that must be considered in the home field for the reason that only firms of considerable size who can import profitably are entitled to or expect to be granted time in which to meet their obligations. Most overseas buyers are, from the manufacturer's viewpoint, either good or bad. There is no large class of doubtful risks which is the bane of the domestic credit department.

Foreign importers of standing realize that their good name is one of their greatest assets which, once impaired, is, on account of their prominence and the long range at which they must do business across frontiers and language barriers, very difficult to reestablish. They are therefore extremely jealous of it. There are instances where manufacturers of known standing have by mistake drawn on overseas customers for large amounts not due them and the drawees have paid in full without hesitation, leaving the adjustment of the matter to correspondence, rather than allow a draft made by a source of supply known to their bank to go back dishonored. Such cases are accidental and perhaps extreme, but they illustrate the disposition of foreign buyers generally.

American credit managers who sidestep the opportunity to pass on foreign risks, lose the benefit of a very broadening influence with the consequent limitation of their own usefulness and progress and of the future of their firms. To many of our credit men, the thought of allowing good merchandise to go across the seas where the arm of our domestic collection laws is powerless to reach, is

little short of appalling. If they will but shake off their provincialism and, realizing that human nature is universal and that business honor is not the exclusive attribute of any one race, gradually familiarize themselves with existing facilities for obtaining information, they can make a conservative start in the extension of foreign credits with no loss of sleep. As for collection laws, there are, as previously stated, few doubtful foreign risks and little is to be gained by litigation of the remarkably small percentage of accounts that go bad when sound judgment is used. For the universal testimony of export managers is that a smaller proportion of bad debts are crossed off the books by the export department than are charged against the activities of the domestic sales department.

The form in which credit is extended abroad varies with the line and the locality. The open account is rightly frowned upon but cannot always be avoided where it is customary. It is the policy of American export managers to restrict this form of credit as much as possible without interfering too seriously with the growth of their business. The preferred method is the documentary time draft drawn at 60 or 90 days sight, on accepting which the necessary papers enabling the consignee to obtain the shipment are released. The accepted draft fixes a definite date of payment, and with its various endorsements constitutes a trade acceptance which is a credit instrument of flexibility, passing readily from hand to hand till paid.

Such drafts, to be most acceptable from the viewpoint of the international banker, should be drawn

on the consignee or his agent, in favor of the drawer and endorsed by the latter in blank. Frequently it is arranged that they draw interest until paid and that collection charges are to be borne by the drawee, this understanding being indicated by writing in red ink on the face of the draft after the amount for which it is drawn, the clause "Interest and collection charges added." Bills thus drawn are ordinarily salable at par in the New York or other foreign exchange markets, recourse being had on the drawer in case the drawee fails to pay.

The subject of foreign exchange is too involved to discuss in this volume. How and why the buying and selling of foreign drafts yields a profit to those engaged in it without loss or injustice to either the drawer or the drawee is interesting but of no immediate concern to the beginner in overseas trade. The one illuminating fact for him to keep in mind is that the exchange market serves the international traders of all countries in the same way that a clearing house benefits its member banks. It ordinarily makes it possible to balance up import and export transactions against each other with little or no exchange of gold between countries whose reciprocal sales and purchases are thus in the long run made to offset each other directly or indirectly. If this is kept in mind the exporter soon learns by experience all he needs to know about foreign exchange.

The beginner in world trade should realize that the extension of credit is a gradual development and that he can feel his way along this road without taking any serious chances. Many foreign buyers have

bank credits in New York or elsewhere in this country, others buy only through established export commission houses, the result being in both cases that all transactions with them are virtually cash in advance. The essential thing is to keep an open mind, considering each case on its merits and refraining from assuming that, because it is possible to avoid all risk in some instances, that every buyer can be persuaded to make payment in the same way. Each responsible foreign importer is entitled to insist on doing business as he chooses and the manufacturer who attempts to dictate in these matters thereby restricts his foreign distribution. No assumption of unwarranted risks is required or expected. The foreign buyer expects you to be a good business man, but he also demands that he be treated like one and allowed his just dues.

CHAPTER XX

INTERNATIONAL CROOKS

THERE are dishonest men everywhere and they exist in other lands in about the same proportion as we find them at home. To the beginner in direct exporting this may seem too conservative an estimate but he must bear in mind that the advent of a new source of supply into the field of international commercial exchange first attracts the attention of a crowd of swindlers, known to export men as international crooks, who depend for their livelihood on victimizing aspiring exporters whose anxiety to get a start may make them willing to take unbusiness-like chances.

The international crook may operate in a variety of ways but he has but one aim. He endeavors to persuade manufacturers to make shipments of goods to his port without adequate financial or moral guarantee that he will get his money. Such goods may be accepted and not paid for or they may be refused at the port of entry, leaving the shipper the choice of spending almost as much as they are worth to get them back or of abandoning them to be sold at auction. In the latter event, which is the usual outcome, the crook, knowing the contents and value of the shipment, is able to bid it in intelligently and profitably.

These swindlers are often endowed with great powers of deception. They may operate under several names, bolstering up the standing of each one of them by referring to all the rest. They may pay cash for the first few small orders and later, by their apparent rectitude and business ability, persuade manufacturers to extend credit on larger shipments in order to co-operate in building up an apparently widening market.

There is just one real protection against this gentry. Subject every overseas order involving any risk whatever to the acid test of good business methods. The foreign buyer of standing does not expect you to be unbusinesslike. Do not trust anyone too far on his own representations or on what persons or firms unknown to you say about him. Make the prospective distributor of your goods furnish references in the United States or give some sound reason why he cannot do so. The man who will not respond to a courteous request to do this may safely be let alone. Follow up any leads he gives you even to the extent of investigating the standing of those he refers to if they are not well known to you. Supplement the data thus assembled by the reports of at least one and preferably several of the service bureaus, export publications or other institutions in this country who have the facilities for making independent investigations. Then submit the whole file to your credit man and ask him how much he would consider the prospective buyer good for if he were located in this country. With this verdict at hand, proceed with just as light a heart as you would if your correspondent were not doing

business beyond our political frontiers which for your purposes are just lines on a map and not indications of the uttermost boundaries of commercial honor and rectitude.

If all our manufacturers follow this course, the international crook will either starve to death or turn his evil attentions toward more fruitful fields. No one abroad can swindle you out of very much if you make him run the same gauntlet that eliminates dishonest men at home. The losses of our experienced exporting manufacturers who have extended credit in all parts of the world over a long period of years and on every conceivable basis, seldom average over one-fourth of one percent and usually less. One-eighth and one-tenth of one percent are not unusual.

It has been stated elsewhere that the good exporter, while protecting himself from the bad, might even utilize it to good ends. Some instances where the attempted swindling of international crooks has been turned to advantage are interesting.

Export managers who have been tricked into making shipments which the customs authorities have threatened to sell at auction have at times turned the tables by writing some well-established house on which they have for some time been working, outlining just what has happened, describing the exact contents and value of the shipment and offering to instruct the bank holding the dishonored draft to turn over all documents without payment provided the firm would agree to pay the duty, put the goods in stock and sell them at the price they themselves would have charged if they had ordered and paid

for them. After the goods are sold, they are empowered to do whatever they consider fair, from keeping all the proceeds to remitting the full value of the goods F.O.B. United States port.

In this way what seemed like a hopeless mess has been converted into an opening wedge on a difficult prospect. Frequently a large part of a prospective total loss has thus been salvaged and a valuable new customer placed on the books, for many foreign houses on accepting such a proposition, have not only been just enough to retain only a fair profit for themselves but have also found the goods so satisfactory that they reordered them on their own initiative.

To Mr. Walter F. Wyman we are indebted for a description of a constructive way to utilize the activities of international crooks. When he receives an order from someone who, on investigation, does not appear to be entitled to the credit asked, instead of brusquely demanding advance payment of the cash which the other man probably does not possess and cannot obtain, he replies, courteously giving his reasons for not acquiescing in the terms asked but offering to ship direct to any local firm of sufficient standing that will assume responsibility for the payment of the draft and to instruct the bank that handles the transaction to pay the correspondent a stated salesman's commission before remitting the proceeds to the shipper.

It frequently happens that the irresponsible sender of the order either has a very good idea as to where he can dispose of the shipment or has already sold it and, seeing no possibility of obtain-

ing his hoped-for illegitimate profit, will take what he can get. He can assure himself in advance of receiving his fair commission by previous arrangement with a local bank made by him in accordance with the shipper's suggestion.

Thus have international crooks been not only foiled but turned to good account by ingenious American sales executives. It is not beyond the range of possibility that some of them may thus be led in time to see prospects of better profits in fair dealing.

The international crook constitutes no serious obstacle to building up a foreign trade if the builder has ability and is in earnest. The beginner should however be warned that he exists and must be thwarted or circumvented. He must never be regarded as typical of any element but his own in foreign markets. Above all his activities should never be allowed to discourage the fledgling direct exporter.

CHAPTER XXI

HANDLING FOREIGN CORRESPONDENCE

If every foreign inquiry that comes to American manufacturers during the course of any one normal year were properly handled by an able export manager backed up by a sound and liberal policy, the resulting increase in our overseas trade would be nothing short of enormous.

Why it is that so many American manufacturers who are successful at home suddenly seem to become bereft of all ordinary business judgment when confronted with a foreign inquiry is a matter that deserves psychological research. In spite of the fact that the man at the other end is a being with all or most of the physical, mental and moral attributes of other humans, it seems hard for many to grasp the fact that, even if he wears strange clothes, speaks an unintelligible language and cleaves to more wives than is openly possible in this country, in business matters his ideas and experience very closely parallel our own. He in his own environment deals with exactly the same elements and is influenced and developed thereby. It is to many American business men a revelation how closely they and their foreign customers agree on what is good business and what is not, on what is right and what is wrong.

Taking a sound export policy and breadth of human understanding for granted, perhaps the most important consideration in handling foreign correspondence is scrupulous attention to detail. Unless you are yourself an expert in foreign languages, have the export publication or service bureau that you have selected, translate for you all incoming letters not written in English. Failure on your part to grasp shades of meaning or more serious sins of omission are very irritating to a correspondent thousands of miles away. Your competitor with inferior goods or higher prices may, by answering the same inquiry with what might seem to you like meticulous care, land an order and a valuable business connection to boot while you are wondering why you hear nothing more from the prospective customer.

Assume that your correspondent, whether he says so or not, wants to know every fact that will assist him in deciding whether to place a trial order with you. Tell him all about your line, the size and weight of the unit, the number of units to the package, crate or bale, the net and gross weights of the minimum shipment, and how it is safeguarded against the risks of ocean transportation. Look up the customs regulations of his country and give him any special information required by them. Do not be afraid of writing a long letter or of enclosing too many informative leaflets or catalogs. Remove every possible obstacle to a trial order that you can see or divine.

Much of this information can be presented in your catalog or in leaflet form, thus cutting down

the length of your letter by simply referring to such enclosures. The export catalog is discussed elsewhere in this volume but attention cannot too often be called to the importance of including in it an attractive statement of your business policy and your standing in the industrial or commercial world.

Have all out-going letters translated into the language in which previous communications received from the same correspondent were written. This seems an obvious courtesy, but it is surprising how frequently it is overlooked. With the entirely adequate facilities that exist for this purpose, this particular form of boorishness is inexcusable.

Answer all letters received that require a reply. No matter how trivial the subject matter or how seemingly unimportant your correspondent, it does not pay to allow his communication to go unnoticed. Send at least a form letter designed courteously to discourage further advances.

From the opening of correspondence with a prospective foreign customer, an attempt should be made to draw from him all possible data regarding his standing so that, while business negotiations are progressing, you may become sufficiently well-informed in this respect to enable your credit department, with the reports obtained from export publications or service bureaus also at hand, to make a prompt decision as to the extent to which credit may be safely granted. Some exporters neglect this and require cash with the first order pending an investigation, but this is scarcely a forehanded procedure or one that makes the best of impressions on a foreign business man.

By all means follow up good foreign prospects by mail. The length of time for which this should be done may vary somewhat for each line, but a good export manager will never cease working on a possible customer with whom he has once been in touch and who remains in business, even though he may after a certain period cease to give special attention to an individual case. This, of course, does not apply where previous correspondence reveals situations which make what seemed like good prospects, either undesirable or very unlikely future customers.

There is an extreme but very illuminating instance on record where an American manufacturer developed a large order for mill equipment by five years of follow-up work. The original request for an estimate came from a man who on investigation proved to be of good standing, with experience in his line, but without any considerable capital,—certainly not enough to buy the equipment in question. The latter fact was, however, offset by his business-like statement to the effect that he was planning to combine his resources with those of some friends to start a plant and needed the estimate for purposes of preliminary discussion.

The estimate was sent with a number of helpful suggestions from the maker's experience with similar cases. It was duly acknowledged. Every six months thereafter the figures were corrected by mail to conform to subsequent variations in market conditions, some inquiry was made as to the progress of the prospect's plans and the hope was expressed that he might succeed in working them out and be in a position to favor the manufacturer.

Each of these follow-up communications elicited a courteous reply giving the reasons for the delay.

At the end of five years an immensely profitable order came through,—an order which, incidentally, a German bank tried to switch to a German manufacturer by taking advantage of the necessity on the part of the local promoters of giving a guarantee for a portion of the purchase price. Fortunately the American firm that had worked so hard to get this order was able, with the co-operation of the buyers on the ground, to club this institution into submission. Query for those who believe the German banks to have been a source of strength to the industries of their home country—How much real good will can institutions which use such methods build up in any community?

To return to the question of follow-up work, the length of time between each communication should be enough to allow for receiving an answer. By a little study, rules covering this point may easily be formulated for each country or for groups of countries served by the same steamship lines.

The use of form letters and paragraphs in foreign correspondence deserves some attention. Paragraphs in all the principal commercial languages which may easily be copied by a careful typist, are used to advantage by many export managers in replying to first inquiries. This saves some dictation in English and much unnecessary translation work.

Form letters in various languages have also been found quite effective when used by manufacturers whose product is sold by general merchandizing methods and who must therefore carry on a heavy,

correspondence with a very large number of firms. Where the unit is large and prospective buyers fewer in number, it is perhaps best to endeavor to give to each communication a distinctive touch.

Foreign correspondence should reflect throughout the spirit of the firm's export policy. Many American manufacturers whose success long ago placed them in an invincible position at home, have allowed their business communications to become standardized and lifeless presentations of facts. In the foreign field these houses must discard such routine methods and inject some of the human element into the written word.

CHAPTER XXII

HEAVY MACHINERY IN FOREIGN MARKETS

AMERICAN makers of equipment involving engineering problems, such as machine tools, public utilities equipment, and machinery for factories, mines, steam laundries, repair shops and similar enterprises have usually found it to their advantage to appoint in each country or important trade center, as exclusive agent for their line, a local engineering house of experience and standing. Where satisfactory firms of this kind do not exist, engineering and selling representatives are sent out to work with one or more local importers in securing orders and installing equipment.

In foreign markets, where the engineering representative is not or does not become qualified to assume full responsibility, it is necessary or advisable in connection with all important contracts, to supply a skilled man to oversee the installation, make sure that it is operating properly and sometimes even to take temporary charge of the plant until such time as others are trained to assume the management of it. This involves no hardship, for such service is stipulated and charged for in the original estimate. This course is far preferable to that of leaving a man or group of men to wrestle with unfamiliar engineering problems in order to

realize on their heavy investment, with all the consequent engendering of ill-will for the manufacturer and the retarding influence on the development of local enterprises using similar equipment. The burden of the dissatisfaction in the use of machinery, justly or unjustly, falls on the manufacturer and unfavorable mention travels fast.

The advantages of an intimate connection with a good local engineer or engineering firm are manifold even though the maker assume practically all of the responsibility for the installation and successful operation of the equipment sold. Such a representative is constantly on the ground and in touch with developments, has standing in his community and can take care of all routine matters to the entire satisfaction of all concerned. There are many instances where large orders for which the competition was close have been placed with the maker whose local connections tipped the scale in his favor.

The working plan in such cases is exactly that of exclusive agency as outlined in Chapter IX, except that in transactions involving large amounts of money the maker must, of necessity, play a more important part in concluding the special financial arrangements that are usually made in such cases.

The extension of credit, in the ordinary mercantile sense, plays little part in these transactions. Everything supplied, being built to specifications, is difficult to realize on if not accepted and paid for as originally expected. The custom therefore is to require an initial payment of 25 or 33% in advance with a guarantee from a bank of standing in the

United States or the country of destination or from a responsible export house for the payment of the rest on delivery or installation, or it may be provided that such balance be paid in installments as the work progresses under suitable guarantees by both parties to the arrangement.

Makers of heavy machinery should, directly or through their representatives, keep in close touch with new enterprises as announced in the local press of foreign countries or as revealed in other ways, and, by advertising and circularizing in each market, keep their names and the nature of their lines constantly before the more substantial business men who are likely to become interested in such equipment. Often this advertising and circularizing, particularly in countries where little industrial progress has been made, should be educational rather than competitive. It should be designed to arouse interest in the development of the industry in which the line is used rather than to promote the sale of the line made by any one manufacturer. The maker who thus succeeds in showing business men new opportunities and places himself at their service for further enlightenment, has the best chance of getting any orders that may later result.

Machinery manufacturers have found export publications of great value in originating inquiries from prospective agents and users and, through their service departments, in assisting in the conduct of negotiations leading to suitable arrangements for representation and the placing of orders.

The heavy machinery field offers exceptional opportunities for export combinations, not of compet-

ing firms as contemplated by the advocates of the Webb-Pomerene Act, but of large makers of non-competitive equipment. Such coalitions should be organized as separate corporations with control in the hands of those whose lines are to be sold by them. These companies should assume all of the selling cost, order from manufacturers for their own account and take their profit on all sales. The manufacturers represented would thus get their profits on all equipment purchased from them, and as stockholders, would also participate in the dividends of the export company representing their lines.

Such combinations, as they progress, have a great advantage in securing the best possible foreign representation and can effect large economies in installation, the benefit of which would, under far-sighted management, accrue directly to the purchaser, and indirectly to the makers in the form of a constantly widening market.

In forming these combinations the usual objections on the ground of divided control or rather the inability of any one maker to control cannot be avoided though they may to some extent be met. Then too, the difficulty of making an agreement between such a company and a manufacturer, that adequately protects the latter in case of dissatisfaction and rupture of relations, is a formidable one.

For this reason, perhaps, such combinations of this kind as now exist are loosely held together by the personality and ability of an export agent who, as he progresses, adds new but allied lines, making a separate agreement with the maker of each. It

HEAVY MACHINERY IN FOREIGN MARKETS 123

is much easier to establish a feeling of confidence between a manufacturer and a selling agent than among several men to be associated in the same enterprise and on the same footing.

CHAPTER XXIII

THE EXPORTATION OF RAW, STAPLE AND STANDARDIZED PRODUCTS

ALL the preceding chapters refer primarily to the exportation of lines in which quality is an important factor. Such products as wheat, lumber, dried fish, packing house products, leather, paper, wool, metals, steel products, textiles, kerosene and others that are graded or made to conform to standards, have little or no individuality and the importers' and users' interest in the original source of supply is correspondingly decreased. Nor is the producer, maker or shipper much concerned with the ultimate destination of his product or with the attitude toward him of those who use it.

In the exportation of some of these lines salesmanship may be a factor to a limited extent, but it can only be used to create good will for the individual exporters among importers abroad. The great volume of this business is done on a *marketing* rather than a *merchandizing* basis and success depends on intimate acquaintance with the market, efficient and economical management, a reputation for fair dealing and service to buyers. The seller cannot set his figure and then go out and get it. Prices are automatically regulated by conditions beyond his control and his margin of profit is what

remains out of the difference between the selling price and his purchasing or producing cost after paying the expense of doing business. His trade and the profit thereon may be increased in some lines which enter into price competition if he arrives at a point where his efficiency in production or business management permits him to undersell competitors.

It seems very clear that the *merchandizing* problem of the maker of distinctive quality articles differs essentially from the *marketing* problem of producers or exporters of raw, staple or standardized lines.

The first, taking his cost of production and adding to it his selling expense and profit, transfers his product at the resulting price to one or more middlemen, who in turn must get their expenses and profits out of what the customer pays for it. Success depends chiefly on convincing the user that it is worth its final cost even though this may be higher than the price at which he can buy competing products. The maker's as well as the middleman's increase in profit must depend on the steady growth of the volume of sales due to the skillful upbuilding of demand for the specific make of the product in question.

The producer or exporter of raw, staple or standardized products, taking as a basis a selling price regulated by the law of supply and demand must, by his ability as a judge of conditions, his skill as a buyer, his efficiency in management and his capacity to serve foreign importers, get into a position to supply the needed products at a cost to him that

allows for his profit. The increase in his gains depends on the amount of business done (except for the fortunate or unfortunate turns of the market) but this volume of trade in turn depends largely on the increase of his capital and prestige and the development of his own ability to meet price competition rather than on the augmentation of consumption which is regulated by the general economic growth of the communities which he and his kind supply.

In spite of this manifest fundamental difference, it is amazing to see how often manufacturers of quality lines befuddle themselves with the opinions and advice of men who have *marketed* products abroad, perhaps for years, but know absolutely nothing about *merchandizing*, domestic or foreign. This variation in point of view accounts for the fact that two men, both of whom speak with authority within the limits of their experience, sometimes stand up in foreign trade conventions and contradict each other from the same platform. The export brokers of kerosene, copper, steel, lard or codfish have, from the sales development viewpoint, no more in common with the exporters of shoes, typewriters, hosiery, and machinery than have those in these lines in the home market. The sooner this is generally realized, the less mental fog will characterize our export gatherings.

It is only the exporters of raw, staple or standardized products that may find it possible to combine to advantage under the provisions of the Webb-Pomerene Act. If all or most of the tanners, the lumbermen, the meat packers, the paper makers, the

copper miners, the steel manufacturers should merge into one strong organization for each line, it is conceivable that each of such coalitions might effect economies that would enable them better to meet price competition or successfully thwart the machinations of highly efficient buying syndicates in foreign lands, for leather is leather, copper is copper and paper is paper and buyers care little where they come from or who makes them.

Whether or not, however, it is possible for the lions to lie down peacefully together in the foreign field while continuing to roar at each other at home, would seem to depend largely on the strength of the influence their trainer has over them. For the manager of such a combination may find the difficulty of preserving harmony increasing with the volume of business done. How many of the confederated producers outside of those who dominate the merger would become dissatisfied with the share of business apportioned them and eventually kick themselves out of it, no one can predict. How many small members would object in advance to relinquishing all control of their foreign business to such a combination is equally difficult to estimate, but if the Webb-Pomerene Act has any very favorable effect on our foreign trade, it will be a not unwelcome surprise to many experienced observers of human nature.

CHAPTER XXIV

A PLEA FOR CONSTRUCTIVE CRITICISM

FOR years our trade and popular press, our business men's conventions and our banquet tables have been infested with a type of writer or speaker who has irritated export managers almost to the point of homicidal mania. Returning tourists, congressmen back from a junket, United States consuls at home on leave, diplomats of varying degrees of prominence and even the heads of large corporations who have not the remotest idea how the details of their own overseas business are handled, rush into print or rise to their feet without hesitation and solemnly tell American manufacturers what they must *not* do when they go after foreign business. Seldom or never do these mentors advise them what to do and how to do it.

You gentlemen who are the honored heads of our great manufacturing corporations, we respect the executive ability which your possession of able subordinates and the prosperity of your enterprises prove. On the subject of general business management you can speak with authority, but when it comes to the discussion of anything but the general aspects of foreign trade, we much prefer to hear from the able man or men whom you so sagaciously selected to build up an export demand for your

goods. They know all about how it was done. You as a rule know little or nothing in detail regarding the methods they have employed.

You who go abroad on business or pleasure, stop listening to the thread-bare tales of our unwillingness to supply what other peoples want, of our inability to pack properly for ocean shipment, of the brusqueness and uncivil haste of our selling representatives, of our disinclination to extend proper credits, of our general social and commercial cussedness. For they are all lies of the most damaging type because they have some slight basis in fact, provided by the occurrence of the exceptional. When you repeat these things you become a carrier of anti-American propaganda originated by competitors, usually by those who in the past were German, in sympathy or in antecedents at least.

If you must have something to say to business men when you return, do not follow the line of least resistance. Disregard the anti-American propagandists, find out what local firms are regularly doing business with our manufacturers and call on them. The cordiality of their reception of you as a compatriot of their best business friends will perhaps astonish you, but you will learn a great deal and when you return you will preach the gospel of American foreign trade methods as you received it from the lips of its most enthusiastic apostles. You will tell what our typical exporting manufacturers are doing and urge those who are new in overseas markets to go and do likewise.

You bankers and public men who address our manufacturers on foreign trade subjects, stop mak-

ing yourselves ridiculous by slinging at them the same old mud which your secretaries excavate from the printed record of your predecessors' asinities. Some few years ago a gentleman newly but prominently connected with a banking institution of international fame was invited to speak at an export gathering and made use of this opportunity by reading American manufacturers a lecture on *their dishonest practices in foreign trade*. This absurd and indiscriminate attribution to all of the dishonorable qualities of a few of our black sheep was translated by alert German traders into every commercial language and used to convict our business men, out of their own mouths, of unreliability in international dealing in which mutual confidence is so important a factor.

Editors of our popular and especially of our daily press, we realize that you must do something to raise your reading columns above the level of deadly mediocrity, but why, oh why, must you be smart at the expense of the future of our overseas trade? Many foreign countries, especially the newer republics, lack a substantial middle class such as we have, but their statesmen, scholars, scientists and men of affairs compete favorably with our best and their worst hardly descends to the I. W. W. level. Do you not know that many of the South American revolutions you headline are hardly as serious as our large industrial strikes? Can you not comprehend that men who speak another language, differ from us in temperament and live in other climes, may nevertheless be ardent patriots, social and political idealists and intelligent and honorable

gentlemen? Must you forever follow the example of our beloved O. Henry, a flagrant offender against the principles of international amity, whose caricatures of Latin-American social and political institutions will never cease to amuse the unthinking or to offend those to whom these institutions are vital and precious things?

Surely you remember or have heard of the wave of indignation that swept through our country when Dickens rewarded our brief but heartfelt hospitality by satirizing without mercy all things American. You cannot have forgotten the resentment, sometimes tinged with pity or amusement, but real resentment none the less, with which we have read descriptions of ourselves and our country by European travelers. Even now we dislike to remind ourselves that many misinformed people of the Old World, still believe that we of this country live chiefly in a wilderness overrun with wild buffaloes and infested with naked savages armed with tomahawks and scalping knives. Yet our press goes on disseminating among our own people just such nonsense regarding other countries.

Those of our manufacturers who are really interested in the foreign field constitute the best possible sources of supply for overseas buyers. Their goods are right and they serve their customers better than do the makers of other nations. When the rest learn to follow their example we shall lead all other countries in the international trade field.

The business men of other lands who import and distribute American manufactured goods are in the main highminded gentlemen who are striving whole-

heartedly for the advancement of their countries. Their customs and institutions may differ somewhat from those we boast, but surely ours are not so perfect that we cannot afford to regard with interest and respect those that have developed in another environment.



CHAPTER XXV

THE "MADE IN GERMANY" IDEA

THE idea of indicating the country of origin on all manufactured articles was first suggested by a British law (Merchandise Marks Act, 1887) which prohibited the importation of "all goods of foreign manufacture bearing any name or trademark being or purporting to be the name or trademark of any manufacturer, dealer or trader in the United Kingdom, unless such name or mark is accompanied by a definite indication of the country in which the goods were produced."

This measure was designed to protect British industry against imitation at home and in those foreign markets to which imported goods might be reshipped by commission houses. German products which were cheap imitations of the most popular English lines were being sold in constantly increasing quantities.

Smarting from this legislative rebuke which was aimed only at piratical foreign manufacturers and unprincipled English commission houses, the German Government in a spirit of guilty defiance, adopted "Made in Germany" as a permanent feature of its maturing policy of nationalizing its foreign trade.

To what extent the appearance of this phrase in

134 *AMERICAN METHODS IN FOREIGN TRADE*

English on all German goods stimulated or handicapped the growth of trade, it is impossible to determine. It is certain that it had both effects in different markets and on various elements making up these markets.

In this, as in many of the German trade policies and devices, there are those among us who urge us to adopt the same or a similar plan in some form. One idea is that of a National Trademark embodied in legislative measures which, taking the Sims Bill as an example, provide for a design to be approved by the President and registered by the Commissioner of Patents in the name of the United States of America without limitation of time and covering goods of all descriptions. The Commissioner of Patents is instructed to grant licenses for the use of this National Trademark at the request of the Secretary of Commerce, who is empowered to pass on applications for such use, restricting it to makers of lines that come up to certain standards. Penalties are provided for the illegal employment of this mark.

Similar bills introduced at various times in the legislative bodies of England and France have met with the almost unanimous opposition of trade associations and of owners of widely known trademarks.

All these proposed measures usually have three objects as follows:

1. The prevention of trademark piracy and the imitation of American goods by German and other firms who have practiced it in the past;

2. The protection of American-made products from foreign competition by so marking them that the buyer can discriminate in their favor; and

3. The development of a foreign demand for all American goods by so marking them that all may be benefited by the prestige that many of our products already enjoy.

If any such measure should become law, it could do no good and might do much harm. The subject deserves the fullest possible discussion because a presentation of the objections to the plan will bring out in high relief many of the fundamental principles of American foreign trade policy.

The piracy of American trademarks is a well-known fact. Opportunity to indulge in this form of unfair competition has in the past been offered by the inadequate protection afforded by the laws of many foreign countries, by the carelessness and shortsightedness of those trademark owners who neglected to obtain all possible world-wide protection under existing laws and by the failure of those who did take such precautions, to build up a sufficient overseas demand for their goods to make it worth while to go to the expense of fighting those who used their marks without going through legal formalities.

The faulty laws of certain foreign countries will offer no more protection to a National Trademark than to one privately owned and registered. Two marks can be pirated as easily as one and, like the two pigs under the gate, might make more noise. There is much room for the improvement of trade-

mark protection throughout the world. This might be accomplished by standardizing the provisions of the laws of the leading countries and promoting the uniform adoption of them by means of a Convention of Nations. When conditions are such in any one country that a National Trademark can be fully protected, then private marks properly registered will suffice.

The remedy for the failure of our manufacturers to protect themselves is a campaign of education or, if we are going to paternalize our governmental institutions, a rigid provision in our laws that all applicants for a private trademark be required to register it within a certain period of time in as many foreign countries as may be prescribed under penalty of a revocation of their right to use it at home. If our manufacturers in this day and age, after all the years that this subject has been agitated, have not sense enough thus to protect their future in world markets, by all means make them do it. It will take something more than a National Trademark to safeguard our foreign trade from this form of provincialism.

Where a trademark is properly registered in a foreign country and the owner does not or cannot accomplish enough to make it worth while to fight for its protection, the brand is not worth much to the man who pirates it or to the manufacturer who owns it. Its theft does little harm and at least serves as a convenient excuse in explaining the owner's failure to get business in a supposedly good market.

It is also true that American lines have been

imitated in form and general appearance by foreign manufacturers but the injury has not been as great as many would lead us to believe. Germany sold imitations, undoubtedly in large volume, in markets where certain American lines were in favor but where our manufacturers had neglected their opportunities. How much of this business would otherwise have come to us no one knows, but the fact that German traders were able to accomplish so much with an *imitation* shows that they had in such cases practically a clear field free from any effective opposition on the part of the makers of the *real article*. Our manufacturers will never get much foreign trade merely by eliminating the evil practices of others. When they stop whining and go after business hard, their imitators have as little chance abroad as they have in the home market.

For instance, does anyone believe that Germany in pre-war days could have made and sold so many "American" shoes if our manufacturers had been on the ground to make the most of the prestige that their product enjoyed? Or can it be said with assurance that if German traders had not used imitating tactics, the business they secured would have come to us? It was not by these methods alone that they succeeded. Factors involving price, credits, deliveries, etc., also entered into the selling campaigns.

Such trade as Germany secured largely by misrepresentation was always very vulnerable to competition. The way to beat the imitator is to go after him and show him up and if makers wait for their Government to do this for them under the

provisions of a National Trademark Law or any other measure, they are not destined to play any very striking role in the foreign trade field.

So much for the first object of these measures. Let us see what is to be hoped for along the line of protection from foreign competition in the home market.

We are too much inclined in times of intense national feeling to forget that under normal conditions, people everywhere buy what they do, not because of where it comes from but because they want it. Some, it is true, always favor goods of home manufacture for sentimental reasons, but others go to the opposite extreme and show a preference for imported goods. "A prophet is not without honor but in his own country." Some of us are snobs and must have what the masses cannot afford. Others among us feel for articles of home manufacture the contempt that is bred of familiarity with them and their makers. Between these two extremes lies the great mass of consumers who "want what they want when they want it."

If it is desirable that all our people be inoculated with a prejudice against foreign made articles this could be accomplished with more flexibility by requiring that imported articles be branded with some distinguishing mark. By this method we could discriminate against specific lines or goods of one origin only instead of raising a barrier against the whole outside world. This plan would have the added advantage of not identifying our products to anti-American buyers abroad.

There is, however, much doubt as to the desira-

bility of educating our people to buy only American made goods. In advocating the protective tariff policies that until recently found favor with our people, the leaders of this school of thought unfortunately popularized the idea that to export in great volume without importing anything spells economic paradise. Of course no such condition could exist without the rapid and complete exhaustion of the gold reserves of other countries and resulting financial chaos. Profit is not made by the *sale* of goods but by the *exchange* of them for other products.

The sentimental boycott of imported goods is open to another objection. We want the merit of reputable American lines to receive its just reward in foreign markets. Can we expect this to be anything but reciprocal? Would other countries fail to retaliate? Do we want to bring about the state of commercial war that would result from retaliation?

Too much care cannot be exercised in interfering with economic laws. Goods should sell on intrinsic merit. This is sound economics. To substitute for this normal buying motive an extrinsic sentimental consideration would be extremely perilous. It is fortunate that the success of any attempt to do this is very improbable.

As for the third object of National Trademark legislative proposals, the development of a foreign demand for all our products, the fundamental theory is faulty. American goods as such do not enjoy any considerable degree of popularity. They never will be purchased in volume because of their

origin. As previously stated, we have achieved some international reputation for fabricating skill which is helpful in a minor way but there is not the slightest doubt that *any of the great export successes of our manufacturers could have been made equally well from a European city, all other factors such as quality, design, selling methods, factory organization and salesmanship remaining the same.* We must get it out of our heads that we have or ever will have any great good will advantage in world trade solely because we are located in the United States. We should, as so often reiterated, depend on the quality of our products and our salesmanship. These two factors vary greatly among all firms and are subject to change with changing personnel, except as standardization of producing methods makes for uniformity of the first.

In the past there have been exported from the United States some of the best and the worst goods that ever went into a foreign market. All of our manufacturers are not entitled to the good will gained by the former (in fact they cannot acquire it) nor are they necessarily handicapped by the ill-will generated by the latter. We want only those who deserve it to succeed in foreign trade. They will without the adoption of trade nationalization policies, if they but try. A National Trademark would offer no encouragement to them but it would tend to stimulate the export activities of makers of inferior goods.

A trademark is often defined as a symbol indicating the origin of goods on which it appears. To Mr. L. A. Janney we are indebted for a more

exact definition—a symbol indicating a *common origin and quality* for all goods on which it is used. In other words, all articles bearing a given mark, are supposed to have back of them the individual responsibility of the same maker or merchant.

A trademark is therefore not only designed to protect its owner in the enjoyment of his good will but is also a guarantee to the consumer against deception. The latter function is in the eyes of the law equally if not more important.

A National Trademark applied to goods of many kinds and origins would therefore not be a trademark at all. It would not indicate common origin and quality and thus be a guarantee to the public. For this reason, it is doubtful if it could be protected under existing laws and the amendments that would be necessary to make it possible to prevent its unsanctioned use would weaken if not destroy the whole foundation on which existing trademark legislation rests. Furthermore, the idea of a national government becoming a trademark owner and the theory that by license the right can be acquired to use a trademark on goods over whose manufacture the owner of the mark can exercise no adequate control, are innovations, to put it mildly.

So much for the negative aspect—the uselessness—of the proposal embodied in such measures. Let us see what positive harm might result if a National Trademark came into use with or without protection throughout the world.

To the individual, a trademark stands for just what his experience has been with the article on

which it is used. Its value to its owner depends, not on what it means to those who like the product best, but on the common run of the experience of all. Thus the power of a trademark to attribute excellence is in the last analysis determined by the average quality of the line on which it is used and this average is lowered by any disproportionate increase in the sale of inferior goods bearing the brand.

Many American manufacturers have a high reputation throughout the world for quality of product. If they use, in addition to their private brands, a National Trademark over whose general employment they individually have no control, they to some extent identify their products with all others so labeled and are therefore damaged in the eyes of the public by every maker of inferior goods who uses the same symbol, and the consumer at home and abroad is to some extent deprived of the full measure of protection to which he is legally entitled. It is argued that the simultaneous use of private marks would prevent this but who can tell which of the two will catch the buyer's eye? If a National Trademark is to be of any value it must be conspicuous and the more striking it is, the greater the possibility of harm in such cases.

The gentleman who drafted the Sims Bill is said to have declared that a National Trademark should only be expected to indicate the country of origin and that any attempt to make it do more would result in failure. The difficulty is that no one can make a trademark do anything to order. Its great value lies in the fact that, refusing to act as its

owner may desire, it goes steadily on performing its one great service, that of indicating to the buyer the origin and quality of something he has purchased before or that has made a favorable impression on him through advertising and other merchandizing aids or by its reputation among his friends and acquaintances. No one can possibly know what a National Trademark widely used on goods of all kinds may one day come to stand for. Certain it is that he who uses it runs the risk, through no fault of his own, of having it meet the eye of those to whom it has an undesirable significance.

Making the use of a National Trademark voluntary does not help much for the manufacturer who elects not to use it is constantly subject to misrepresentation. His competitors then could and would claim that his goods were not up to required standards.

To meet these objections it is proposed that licenses should only be issued to makers of lines that come up to certain specifications. To this the American Chamber of Commerce in London in a protest said that "the restriction of the mark to strictly standardized goods is impractical and impossible of efficient application." How and by whom are these standards to be established? What steps can be taken to insure that applicants once accepted would maintain them? Surely a small army of expert examiners backed up by another of inspectors would be required thus to protect a National Trademark from use by those not entitled to it.

Then, too, whatever standards are established, they cannot be the highest for too many would then be excluded. If they are not the highest the unfairness to those who maintain superior standards still inheres.

It is hard to make any adequate statement of the difficulty of the task such a law would impose on the Secretary of Commerce. Every manufacturer thinks his goods are up to standard and would not readily give up an attempt to acquire the right to use the mark. Innumerable disputes and accusations of favoritism would result. The impossibility of performing the task to anyone's entire satisfaction would speedily lead to the admission of all to the supposedly distinguished company of National Trademark users. It is no disparagement of the ability of Secretaries of Commerce past, present or to come, to say that their responsibilities under such a law would be too great.

It has even been suggested that owners of private brands might substitute the National Trademark for them. In view of the foregoing, this is too silly to deserve more than passing mention as showing how far afield the supporters of this idea have gone in their attempts to bolster themselves up in their position.

The employment of a common mark on competing lines would greatly facilitate substitution. Every leading maker aims to distinguish his goods from those of his competitors and does not welcome the idea of using a trademark that can be referred to as an evidence that other articles than his are really the same though put up differently for reasons that

are confidential. The substitution evil is serious enough as it is.

The Irish trademark is frequently cited as proof of the practicability and desirability of this movement. Some enthusiasts attribute to it the success of the products of the Emerald Isle in foreign markets. In the absence of any tangible evidence, most experienced exporters will prefer to believe that Irish goods are in demand because they are what they are and because the makers of them know how to sell them.

Opponents of these measures have been accused, even by those in high places, of a selfish unwillingness to use their prestige in foreign markets built up by years of hard and expensive work, to help others enter the field. There may be some slight basis for this where direct competition is concerned. If so, what of it? Is there anything reprehensible in this? Are we or are we not a nation of competing individuals and if we are, must we, competing at home adopt another policy abroad in the name of patriotism? Must we at the behest of those who advocate the national exploitation of foreign markets, abandon the individualistic methods that we have found so successful? Foreign trade is no more a national matter than is domestic commerce. Again, it must be repeated, we do not sell abroad as a nation but as individuals. The truly patriotic American manufacturer is he who earns the confidence of his consumers at home and abroad and then protects them all equally.

Our exporting manufacturers are not averse to

extending a helping hand to the beginner in foreign trade. In fact the spirit of co-operation that they show in assisting others to solve their problems and in communicating facts regarding their experience with foreign buyers is extremely praiseworthy. They do, however, object decidedly and justly to inflicting needless damage on their consumers, their distributors and themselves for the sake of a theoretical benefit to all other manufacturers, deserving and undeserving alike.

This whole movement is a piece of patriotic sentimentalism. It is not based on an acquaintance with the real factors in foreign trade. It cannot do any good and may do much harm unless some way is found to curb this phase of the activities of our theoretical exporters who attract the unthinking and the inexperienced to the support of their plans for conquering world markets by Act of Congress.

CHAPTER XXVI

A SUGGESTION TO THE DEPARTMENT OF COMMERCE

JUDGING by what is said in export gatherings by local representatives of the Bureau of Foreign and Domestic Commerce, which is a branch of the Department of Commerce, there is a feeling that American manufacturers either do not fully understand or do not quite appreciate the work the Bureau has been doing in recent years. On every possible occasion laudable attempts have been made to remedy this supposed situation. As a matter of fact those of our manufacturers who have made a start in direct exporting, do appreciate and use the help that the Bureau offers. Those who as yet have no export selling policy and do not know how to do business direct in foreign markets, also appreciate the Bureau's work but remain inactive.

The reason is this: The best that the Bureau has thus far been able to do is to provide our exporters with tools. It has not been able to show the inexperienced and unskilled how to use them. Most of our manufacturers look at the attractive display in the show windows of the Bureau's branch offices with sincere regret at their inability to become patrons but with a fear that if they attempt it, they will cut themselves and bleed to death. It is cer-

tainly no reflection on the quality of these tools to say that many of those who might try to use them would at least run a chance of maiming themselves badly.

The remedy for this is very simple on paper. In practice it might prove more complex and difficult, but the idea offers so much food for thought to both Government officials and manufacturers that it is worth while to consider it carefully.

The Bureau of Commerce might bridge the gap between its excellent service and the manufacturer's inability to use it by finding a man who has the confidence and respect of the majority of our export managers and who is capable of making a thorough study of any manufacturer's line, policy and internal situation, and then from his own experience or by consultation with export managers of his acquaintance, show such a prospective exporter how the things he is doing in the home market can, with slight modifications, be done in foreign trade—how, in other words, he, without any radical departure from his established policies, can direct the selling genius that has made him successful at home, into a wider field.

Such a man when found should be given the appropriation and the power that are necessary to enable him to multiply himself through a staff of carefully selected office subordinates and field workers so that the service could be extended to cover all industrial regions.

There is no difficulty about this plan so far as manufacturers are concerned. They would welcome it and would probably be glad to pay a fee more

than commensurate with the cost of the service, if any such arrangement with a Government bureau were possible. The light it would shed where all is now darkness is surely needed and they know it.

It would be easy to secure the assistance of export managers. They are the most willing co-operators that we have in our business life. On their ability and readiness to help others depend the successes they are making. They believe in sound and constructive team work and would be among the first to endorse and actively back up such a plan if they could see any glimmer of promise that it might be carried out effectively.

The difficulties are these:

First, it would not be easy to find a man who has the ability and versatility to undertake such a work with fair prospects of success. Men of this type are scarce. They are most of them firmly tied up to private interests.

Second, it would be hard to be sure that the man, once discovered, was the right one. A wide acquaintance with Senators and Representatives would scarcely prove it. Probably the best test would be his standing with export managers.

Third, if such a man were located and positively identified as the right one, the Bureau would probably not be allowed by the Congress to pay him what he is worth to private business or provide him with sufficient funds to do his work. Once found, he would be worth to our Government any figure in reason that it might cost to secure his services.

Fourth, the red tape of official Washington and the requirements of the Civil Service Regulations

might so hamper him in the building up of his organization and the supplying of efficient service that in spite of his ability and any Congressional generosity as to his budget and his own compensation, he might fail in his undertaking.

If the Department of Commerce would do something really big for the foreign trade of the United States, it should find some way to carry out the above plan or some modification of it. We have no weakness in foreign trade except this—*the vast majority of our manufacturers have no export policy*. They have the goods, the markets are there and every necessary mechanical facility is ready to their hand. All they need to be shown is *how to sell* their particular line abroad.

And while the Department of Commerce is trying to solve this problem, may it not overlook the importance of dissuading our lawmakers from fooling with foreign trade legislative proposals which, in the opinion of the vast majority of export managers, are so full of dynamite that, if not safely stored in obscure, well-padded pigeonholes, they may break loose and tear holes in the structure of our existing overseas commerce that cannot be repaired in a generation.

CHAPTER XXVII

AMERICAN BANKS ABROAD

STUDENTS of foreign trade who during pre-war years followed the arguments of advocates of the establishment of American banks abroad, without doubt gathered the impression that the lack of such institutions was a serious handicap to our exporters. As a matter of fact, those who have been engaged in foreign merchandizing have seldom or never had the slightest difficulty in financing the trade they secured, through English, Spanish, French, Italian or German branch banks or through local institutions in the different countries where they did business.

Insofar as they could do so without serious detriment to their own standing, some of these banks, especially those under German control, sometimes placed obstacles in the way of American exporters or of local importers who desired to buy our products, but the extent to which such practices prevailed was limited by the obvious certainty that such a course would have so undermined the prestige of a bank that persistently followed it, as to handicap it very seriously in competition.

The indulgence of German banks in such violations of good business principles had in 1914 made their situations precarious in many foreign markets for, having lost the confidence of many of the best

business men of their communities, they were being forced more and more to confine their operations to the less desirable factors in local trade.

On the whole, however, the statement that American manufacturers, previous to 1914, experienced no serious difficulty in financing their legitimate transactions in foreign markets will stand the test of careful investigation. Why then the agitation for American banks?

It is doubtful if any great trade advantage would have resulted, if we had had American branch banks in foreign countries previous to the outbreak of the war. Banking is a highly competitive service, the establishment of which seldom if ever precedes the existence of a sufficient volume of business to enable it to show a profit. Banks do not sell goods. They can at best do little more than facilitate the exchange of products that results from the buying and selling activities of manufacturers and traders.

That ample facilities were in existence for financing pre-war trade is best evidenced by the fact that capital did not flow into international banking channels. In fact, in few foreign countries was there any noteworthy dearth of either banking or trading capital. In many of them investment capital for the development of natural resources and private enterprises of various kinds was badly needed, but no one would seriously contend that American commercial bankers would have attempted to supply this lack as did the more speculative Germans, backed as they were by the resources of their government.

There is a distinct tendency on the part of our manufacturers to regard the establishment of

American banks abroad as a sort of assurance that they will have a great foreign trade. As a matter of fact it means nothing of the kind. Their trade and the very continuance of the existence of such banks will depend almost altogether on the selling efforts made by each American maker of manufactured goods and the development in this country of a market or clearing house for the products of other lands. Our foreign branch banks give promise of supplying an excellent service to those who put themselves in a position to use it but more than this cannot fairly be expected of them.

American banks abroad, while they cannot make sales for our manufacturers, should accomplish several very desirable objects. They should by extensions of credit to local firms greatly increase the usefulness of existing trading capital. They should facilitate the permanent investment in local enterprises, of American capital which, in the future, must go abroad for opportunities. They should serve as centers of Americanism in each foreign community, spreading abroad our ideas of good business and making it easier for our manufacturers and exporters to establish their standing with local merchants.

American branch banks abroad should also accomplish much in gathering specific information and passing it on to our manufacturers in readily utilizable form. This information falls into two classes, i.e., data regarding special trade opportunities and reports on the standing of foreign buyers. Considerable progress is being made along these lines.

What perhaps constitutes the greatest incidental help that our foreign banks will give us is that intangible but none the less real service of promoting among business men everywhere an acquaintance with the United States and its real political, commercial and social aims. Unfortunately we are misunderstood in many countries. Our European competitors, particularly those of Germany, have devoted more and more attention to misrepresenting our diplomatic and trade policies as we have made greater progress year by year in each market, and their assertions have unfortunately often been corroborated by the eagle-screaming emanations of some of our loud-mouthed traveling Americans who are in no way representative of the United States.

Some of our press have also lent color to our competitors' misrepresentations, and to make matters worse, the lack of adequate passenger steamship service between our ports and those of many foreign countries has prevented anything like the great annual pilgrimage of business men to Europe from contributing its part to the improvement of our international relations. In Australasia, the Far East and South America we are not generally known as we really are. Our exporting manufacturers have done much to correct mistaken impressions but our foreign banks, with their more general contact with the life of each community, should accomplish even more.

To accomplish all this American bankers who have ventured into the overseas field need the co-operation of our exporters but, on the other hand, they must deserve it. They should not depend on

sentiment to divert business originating in this country to the new channels that they have established. Their foreign exchange managers must not, for the sake of the immediate showing their departments can make, take advantage of the ignorance of our fledgeling exporters. Constant efforts must be made to serve the overseas interests of our manufacturers in every legitimate way.

It is not necessary or even desirable that our bankers attempt to go to the extremes that those of Germany have gone in the past. We want the best service obtainable with the least possible cost to us and to our foreign customers. We do not desire that those of our competitors who find it advantageous to use the foreign branches of American banks, should be subjected to the slightest discrimination. We do not have to resort to such methods to sell our products and if we did, we should feel there was something wrong with us and that we were on very unsafe ground.

CHAPTER XXVIII

FOREIGN INVESTMENTS AND EXPORT TRADE

THERE is in the United States a school of foreign trade thought that believes that without the investment of American capital in local enterprises throughout the world, we can never accomplish much in world markets. This question is worthy of some discussion because our past failure or rather inability to follow the lead of England and Germany in this respect has frequently cropped out as one of the excuses given by our manufacturers for not making an effort to get overseas business, and because many if not most of those who have been advocating such investments are doing so on an unsound basis.

Here again the apparent success of the German system of getting a strangle hold on foreign enterprises and then squeezing business out of them for the benefit of the homeland has corrupted some of us mentally or morally.

The idea seems to be that, now that we are a great creditor nation, our bankers will, when they supply the money to build a waterworks system for some foreign city, either specify in advance or later insist that American-made materials and supplies are to be used throughout. Thus, it is contended, our

makers of cement, pipe, valves, etc., will benefit from a great increase in the "demand" for their products. The same reasoning applies to the building of railroads, hydro-electric plants and other similar enterprises.

"Demand" is scarcely the word to describe what may sometimes prove to be the unwilling but enforced acceptance of a necessary evil. Let us suppose for the sake of argument that the best possible valves for a waterworks system are made in England or that, owing to a great demand in other parts of the world, the best American valve makers are unable to accept new orders. Is it to our real interest to have inferior American valves forced on those who in the last analysis must pay the bill when in all justice they should be allowed to purchase the goods that are best for them?

Let us use a homely illustration. Assume that you are a retail merchant in need of financial assistance and go to a bank president who after looking over your statement admits that you are entitled to accommodation and agrees to extend it on condition that you discontinue certain lines of merchandise and substitute for them the goods made by certain depositors of the bank or by friends of its president. If you are a good business man, if your need is not too pressing and if there is hope of getting the money on a cleaner basis elsewhere, you would turn this down. Suppose, however, that you were in a position where you had to accept this proposition or nothing, or that, after the banker had extended the asked-for assistance with no strings to it he took advantage of your position to

force you to accept the further conditions named. Would it be good business for him or for his depositors and friends whose products would thus be thrust upon you? You would then have to carry the loan without the privilege of using your own best judgment in the management of your business. Would you feel that you had been treated with common decency? And what would you do to that banker and his precious crew of "squeeze" artists if you ever got back on your feet and opportunity offered?

Do you, the business executives of the United States of America, want to see our international bankers do exactly the same thing to foreign communities who need our capital? Do you think it would be good business for the bankers or for you? Do you need any such help to sell your products? Or do you want those who hold the purse strings to say something like this?

"We have looked into your project and find it sound. Owing to a combination of circumstances we have the money to finance it and will let you have it under certain fair conditions and at the usual rate of interest. The report of our experts shows that you are entitled to this and you will get it. So much for that.

"It has occurred to us, however, that in carrying out your project you will use a great many things that are made in the United States as well as other countries. We shall appreciate it if you will give our manufacturers an opportunity to demonstrate what they have to offer. You understand, of course, that as your financial backers, we are desirous first

of all that you make a success of your project. We do not want the fact that we are Americans to influence you into buying anything in our country that you would not otherwise purchase on its merits. You are paying us what our money is worth, we are satisfied with the security and, rather than handicap you in the development of your plans, we prefer to leave you to work out your salvation unhampered, because the success of your operations and those of others like you will in time lead to the development of a sound prosperity throughout the whole community. Many American goods are now sold here on their merits. More will be sold when the *per capita* buying power of your country increases. Our general commercial relations will, we hope, become constantly closer and mutually more advantageous, but that will be a legitimate result of our co-operation with you and others who need our capital."

Is it necessary to ask any American business executive which of these attitudes he favors? Can we ever achieve anything by "squeeze" methods that will even approximate what we can accomplish by being straight-forward business men in all our dealings with other peoples? If we have capital to export, we must find foreign investments, but regardless of what others may or may not do, let us not assume that after exacting a fair price for what we have, we can force other advantages, just because what we happen to have is money. Let us be leaders, not servile imitators of others.

Let us therefore not only not encourage our investment bankers to adopt the unfair methods that

have been all too common in international financing, but let us go further and positively discourage, as inimical to our best interests, any such tendencies that may crop out in them. Let us as a people take the stand that we want first to help others to the prosperity that we enjoy because it will make the world a better place and because this will in turn benefit those of us whose goods and service entitle us to a deserved recognition in world markets.

In spite of the universal resentment that was the ruin of Germany—a dislike that grew out of her business methods as well as the conduct of her military campaign—in spite of our more or less general recognition that her downfall was primarily due to her commercial arrogance and brutality, it is remarkable how many there are among us whose minds have been tainted with the poison that warped the intellects of the Kaiser's subjects.

A word to American manufacturers. Do not wait for heavy investments of American capital to open up foreign markets for you. They are now ready and waiting if you make good products that are in general use. Their possibilities will increase with the development of their natural resources but those who are on the ground and working through established distributors will get the greatest benefit from such growth.

If your products are such that large foreign demand for them depends chiefly on the higher development of the social, commercial and industrial life of overseas markets, and you can demonstrate their worth, start at once to get a foothold without waiting for the intrigues of capital to get

business for you. A new era has begun—an era in which those who need capital will get it solely because of that need and because they deserve it. Investment will be investment and not loan-shark exploitation. Those who get our money will be left free to use it to the greatest possible advantage. Whatever you make, you will benefit to exactly the extent that you are in a position to demonstrate the value of your products. We have shown the world that we know how to sell goods fairly everywhere. Our investment bankers can never go out into the atmosphere of Americanism that characterizes our international trading operations and succeed by acting like anything else but believers in the inalienable rights of all peoples.

CHAPTER XXIX

THE AMERICAN MERCHANT MARINE

OCEAN transportation is a commodity and those who supply it must, to make a success of their business, meet price competition, subject to the law of supply and demand, or render a distinctive quality service and get what it is worth regardless of what someone else charges for a similar article.

Our exporting manufacturers have had little or no fault to find with the quantity or cost of the transportation supplied by foreign-owned steamship lines. It has been easy to make freight shipments to all parts of the world at almost any time. The thing that has been chiefly lacking was speed, not only in the dispatch of goods but also in making delivery once the shipment was entrusted to the transportation company. There has also existed a great need of fast mail and passenger service between this country and many important foreign markets.

Much that has been said and written in advocating an American merchant marine has been arrant nonsense and has done the cause more harm than good. The large annual toll paid to foreign-owned steamship lines for the transportation of American products was not, as one writer puts it, a loss to us and a gift to other countries. It represented in

the main a fair price for valuable services rendered and we did not pay it anyhow. The ultimate consumer pays the freight.

Neither is it accurate to say that England and Germany had a big foreign trade because their flags were constantly flying in every port and draw therefrom the deduction that we could never expect to accomplish much in overseas markets until our flag was made to do likewise. England and Germany had a big merchant marine because their merchants built up a great foreign business and because their laws were favorable to the development of home-owned steamship lines.

The United States had a large and ever growing overseas trade when almost wholly dependent on alien-owned ships for delivery service. Foreign importers buy goods, not flag-waving exhibitions, and shipping lines are established not primarily to build up business but to serve for a profit those who are the real developing influence—the importing and exporting traders of all lands.

It is unfortunate that so many business men who are endowed with good thinking powers often cannot write and that so many who write well have never had any business experience. Every exporting manufacturer in the United States knows that his goods sell because they are what they are and not because they originate in this country. He knows that any conceivable number of American flags flying in the harbor of Buenos Aires, would have little or no direct effect on the demand for his products there yet he has had to go on reading and being told that the success he was actually making

was impossible because without American ships, how could it be? The tendency of our advocates of ship subsidy, government ownership of steamship lines or other similar national projects, to forsake the solid ground of facts and soar in the upper air of discreditable theory has seldom given our legislators anything that could with any advantage be passed on to their hard-headed constituents.

There are very sound reasons why the United States Government should in some way continue to favor the American control and management of the steamship lines that we have as a result of the war-born program of shipbuilding. The preparedness argument is not new but the predicament from which we extricated ourselves at great cost, served to drive it home with a force that should make itself felt for generations. Surely no good American now living will ever forget the U-Boat peril, so totally unforeseen by anyone but the diabolical plotters of Potsdam.

Nevertheless the terms of settlement of the Great War may seem to many to offer guarantees against any similar future occurrence and thus dull the edge of the preparedness argument. At any rate there are good business reasons for the maintenance of American-owned steamship lines.

The fostering of closer commercial and political relations between the United States and other countries demands faster steamships for freight and especially for carrying mail and passengers. One of the great advantages that European manufacturers enjoyed for decades was the year round stream of foreign visitors that entered their ports

and circulated through their industrial centers and recreation or health resorts. These travelers, returning to their native countries, spread abroad there a knowledge of French, German and English customs and institutions and promoted a popular acquaintance with the statesmen, scholars and business leaders of these countries. As a result, the average South American, East Indian or Australian business man of consequence knows Europe as he has never known the United States. This acquaintance, which is so important a factor in trade, was in large part the direct result of the existence of fast passenger steamships which lessened the tedium of a necessarily long sea voyage for those who wished to visit other lands.

Fast passenger lines have another decided commercial advantage. They make it easier for the industrial leaders of manufacturing countries to visit foreign markets and investigate conditions for themselves. Many a prosperous export business has originated in a pleasure trip through South America by the head of an American manufacturing firm. A good business man who has visited Buenos Aires, Valparaiso or Rio Janeiro can never again be convinced that he cannot enter into direct relations with the importers of these cities with a minimum of risk. We want more of our manufacturers to visit overseas markets that they also may see and believe.

Another advantage, by no means inconsiderable, of fast passenger lines is the obvious fact that they greatly facilitate selling trips. Under the conditions that existed previous to 1914, American overseas salesmen were obliged to waste entirely too much

time waiting for steamers to sail and for them to get somewhere after sailing. Many of our manufacturers have hesitated to send a high-salaried man to certain markets because of this handicap.

The importance of a fast international mail service seems very obvious. The loss of time and the necessarily high degree of prevision exercised by both buyer and seller, owing to the infrequency and slowness of mail steamers, has been a great obstacle to our manufacturers in their endeavor to compete in foreign markets whose contact with European sources of supply was more intimate though they are fully as remote geographically. Correspondence is the life blood of business and commercial anemia is a certain result if its circulation is sluggish.

Frequency of freight steamship sailings and a cutting down of the time required to reach important foreign ports of entry are imperative necessities to the highest development of our world trade. As we have seen in preceding chapters the overseas merchant is forced by circumstances to estimate the requirements of his business and place very heavy orders far in advance of actual needs in order to be sure of having an adequate stock on hand at all times. The fewer the voyages made and the slower the sailing time of the freight ships which connect him with his sources of supply, the greater the handicaps under which he works.

Faster freight lines between the United States and foreign markets will, by increase of annual turnover, reduce the overseas buyer's risk and greatly augment the usefulness of his capital. The

oftener deliveries can be made and moved on to the ultimate consumer, the greater each importer's buying power and consequent value as a distributor of American goods.

The need therefore of an American merchant marine depends largely on whether its development and maintenance will accomplish certain definite ends. To be a practical success it must be the means of promoting a better understanding between us, and the people we do business with, by facilitating intercourse in person and by mail, and it should effect economies in time and money, which will make it worth more to us and our foreign customers than any service that has previously existed.

Whether American steamship lines can accomplish these things under government ownership while the stimulus to public service provided by the existence of a national peril does not exist is, in the opinion of the writer, open to some doubt. The field appears to offer great opportunities for that initiative which seems, under normal circumstances, to be peculiar to private management for profit. Whatever our feeling as to this, however, let us advocate what we believe in, intelligently and sanely.

A great foreign trade is an easily demonstrated advantage to all American taxpayers. We must convince them of this and keep them convinced to retain our new merchant marine, either under public or private ownership. For government-owned lines must, for a time at least, run at a loss and private capital will never enter this field in a large way without government guarantees of

some sort. In either event, the people must pay and pay they will if we give our legislators some sound businesslike basis on which to go before those from whom all their power is derived.

CHAPTER XXX

RECIPROCITY TREATIES AND PREFERENTIAL TARIFFS

A RECIPROCITY treaty is an agreement between two governments, the terms of which provide that certain specified products of each are to be admitted into the other reciprocally at a rate of duty lower than that which must be paid on the same articles when they originate elsewhere. It is a "scratch each others' back" arrangement between two nations.

A preferential tariff is a lowering of some or all import duties by one government on some or all of the products of another country either in consideration of similar reciprocal action, or for any other reason. A reciprocity treaty is the simultaneous and mutual adoption of preferential tariffs by two countries as a result of diplomatic negotiation and convention afterward sanctioned by legislative action.

For example, the United States some years ago attempted to negotiate a reciprocity treaty with Canada by the terms of which agricultural products of the Dominion were to be allowed to enter this country duty free in consideration of similar favor being extended to imports of certain of our manufactured products.

England enjoys preferential tariffs in Australia and other colonies in consideration of the protection afforded by the Imperial Government and their freedom from certain financial burdens which most self-governing communities usually bear.

The United States, in consideration of its large consumption of Brazilian coffee, enjoys in that country a preferential tariff on pianos and certain other manufactured articles.

The theory of reciprocity treaties and preferential tariff arrangements is that by lowering the cost to the consumer of the articles specified in them, a wider market for these goods is thereby created.

Among American export men it is difficult to find ardent advocates of these trade-fostering devices. During many years of constant activity in export circles and of faithful attendance at all important gatherings for the exchange of ideas on foreign trade, the writer cannot recall having heard one practical and intelligent plea for such supposed assistance in overseas selling.

The chief reason for this is undoubtedly, that the experienced export manager has not, in the course of his selling work, felt any great need of such adventitious aid. As so repeatedly stated previously, American manufactured goods sell on their merits and not because they can be bought at a lower price than others of their kind. Therefore, the existence of a preferential tariff on any one line of American goods results chiefly in a small saving to the ultimate purchaser on an article that he probably would have bought anyhow and in a

corresponding incidental loss of revenue to his government.

In these days of fast steamships, the chief obstacles to the development of foreign trade are those due to the existence of political boundaries and of variations in laws, customs, language, taste and other institutions and characteristics which distinguish each nation from all others. The successful exporter is he who surmounts the natural and artificial barriers of nationality—he whose adaptability and skill make them, for all his practical purposes, non-existent. All trade nationalizing devices such as reciprocity treaties, national trademarks and special legislation like the Webb-Pomerene Act tend to widen the gulfs between peoples which the individual exporter is constantly endeavoring to bridge so far as his own distribution is concerned.

A fair field and no favor is all that American goods ask or need in world trade. To our national sense of fair play, there is something just a little distasteful in the idea of trying to persuade a foreign government to give us certain advantages in their market that others are not granted. It isn't playing the game. Besides it is likely to establish dangerous precedents and lead to diplomatic competition for similar favors with much resulting ill-will.

There is very little difference between the theory of reciprocity and that of securing preferential railroad rates. If it is unjust to allow an oil producer to make an arrangement for more favorable rail-

road rates than his competitors enjoy, how can it be right for one nation to persuade another to grant special privileges for their business men to the supposed detriment of all others?

Because the action is taken by nations instead of individuals does not alter the essential injustice of such a proceeding. A decent respect for the opinion of the business world forbids the employment of such methods internationally as well as intranationally. It was to make certain governments conform to recognized standards of morality and humanity, that we entered the World War. Shall we then give countenance to the idea that it is right for the state to do for its citizens as distinguished from the peoples of other lands, what individuals should not be allowed to do for themselves and against other individuals?

This line of reasoning does not of course apply with equal force to arrangements between a mother country and its colonies whose relations partake of the nature of those that unite the political units that make up a single state. In our theories of correct procedure for nations we are, however, gradually recognizing more and more the interdependence of all peoples of the world and as it is given us to see this with greater clarity, the interests of separate communities lose their aspect of sanctity in the eyes of right-thinking men who seek the common good of all.

CHAPTER XXXI

AMERICA'S PREEMINENCE IN SALESMANSHIP

Few of the European makers of manufactured articles do their own selling. In practically every instance in all lines, the manufacturer relies for his distribution on one or more independent intermediaries who correspond roughly to our jobbers though at times their function approximates that of our manufacturer's selling agents.

These great distributing houses, many of which have branches or agents all over the world, have no special interest beyond the immediate profit to be made in promoting the demand for any one product. Their tendency is to handle the lines that are in greatest demand without regard to the welfare of users or the future of any one manufacturer.

In other words, the inclination of the maker to go beyond the middleman and establish and promote consumer demand for his particular brand of products, which has been so important a factor in our commercial development, has never exhibited itself generally in the Old World. It is practically impossible to find throughout the length and breadth of Europe anything that corresponds closely to our highly organized sales and advertising departments, with their specially trained executives who

single-mindedly give the best there is in them to the simultaneous upbuilding of a demand for each maker's line and a distributing machine to take care of this demand.

Out of this great fundamental difference in distribution policy spring all the minor characteristics that distinguish American foreign selling methods from these of Europe.

There is no sharp line drawn between domestic and foreign business by the manufacturers or merchants of the Old World. The goods are sold to great trading houses that resell at home or abroad as they see fit. Export has always been an important part of the trade of European makers who naturally leave foreign markets to their distributors because they have no motive for not doing so. In fact, there probably is no good reason, for as long as they do not do their own selling anyhow, they do well to leave all distribution in the hands of those who know their line and are familiar with world trade requirements.

The American manufacturer who has made a great success in overseas trade is almost invariably one who, having well-organized and ably-managed sales and advertising departments, proceeded to adapt his domestic distributing methods to foreign markets. The general sales manager, in co-operation with the advertising manager, plans his domestic selling campaigns not alone with an eye on the immediate profit but with the systematic upbuilding of distribution and good will also in view. So the American export manager, trained in the same school and similarly acknowledging allegiance to

but one line of goods in which he has confidence and on whose successful marketing depends his own advancement, adheres to the underlying principles of his firm's policy in every country that he enters.

This explains the significant fact that not one American manufacturer of highly elaborated goods who still cleaves to strictly jobber methods of distribution, has ever obtained any noteworthy results in overseas selling. It may even be said that our failure to get our fair share of foreign trade in many lines is primarily due to the prevalence of outworn ideas of selling among the makers of these products. We cannot job goods for export with any great degree of success for by so doing we meet our competitors on their own price-competition basis where they have all the advantage.

By adapting the sales department idea to overseas selling, we have gained for ourselves all of the advantages that it yields at home. Our exporting manufacturers are close to the ultimate consumer everywhere and their agents and distributors feel themselves to be highly-valued parts of an organization which not only has confidence in its special products but is constantly on the alert to help their business associates to greater prosperity and independence.

For our exporting manufacturers, keeping control as they do of the distribution of their products, are enabled to accomplish much that European makers cannot even attempt. All the refinements of dealer helps such as general publicity, circularizing, store demonstration, money back guarantees, educa-

tional work in merchandizing and all the other forms of co-operation with which our domestic selling has made us familiar, can be carried out with great advantage to all concerned.

Why, it may be asked, cannot the great trading houses of Europe do these things for their manufacturers? There are many reasons.

First, it is not in human nature to spend money to build up something for another. These firms advertise and do many things to promote sales, but they do them for themselves. No one else can or will do for a manufacturer what he should do for himself.

Second, no great trading house, handling thousands of lines, can develop anything resembling an American sales department for each of them. The best it can do is to handle products in groups, which is not much better for the individual manufacturer.

Third, there is no money to work with. The manufacturer, schooled above all to meet price competition, sells to the trading companies at a figure which does not allow for individual sales promotion for his line and, as the trading company is not in a position to demonstrate the superiority of any one line over another and thus get more for it, it also must meet price competition. The profit allows for general selling and overhead expenses but offers no margin for special work on individual products.

Fourth, the European lacks a sufficient acquaintance with the selling methods which are a part of the very air that American business men breathe from the time that they take their first positions. Not only do they not understand these methods but

few of them would use them if they could. They have gone on all their lives doing things in their own way and surrounded as they are by the Old World atmosphere of conservatism, they will continue to do so until our inroads into their trade force them into other paths.

One of the most important respects in which our foreign trade differs from that of Europe is in the fact that the organizations of many of our manufacturers reflect an individual business policy that distinguishes them from all others and when they enter overseas markets, they carry this with them. Thus they work in a favorable atmosphere which they themselves create and the names of their products become synonymous with various desirable attributes in the minds of all who use them. This is a great asset of direct exporting which is denied the European manufacturer who lacks contact with his trade and his consuming public.

A great weakness of the position of European manufacturers in world trade is the fact that the commerce of their countries is largely based on the erroneous assumption that a pair of shoes in the eyes of the user is a pair of shoes and nothing more. They depend too much on the attractions of low price and easy terms and not enough on the demonstrated fact that everyone who buys a recognizable brand of goods and like it will, in nine cases out of ten, pay more money to continue to get the article which to him has a proven value.

American manufacturers who cannot or will not do their own selling should keep out of foreign markets or refrain from assuming any great risk

in entering them for they will do so under a handicap. Those who have built up a profitable domestic demand for a trademarked line by the efforts of their own sales and advertising departments, should lose no time in duplicating abroad the work they are doing at home along the lines laid down in previous chapters. They will find a fertile field for these activities and will contribute something substantial and enduring to that ever-growing monument to American executive efficiency, the foreign trade of the United States.

CHAPTER XXXII

THE PROTECTIVE TARIFF AND FOREIGN TRADE

THERE is, among American manufacturers, much adherence to pre-conceived and inherited ideas regarding the protective tariff principle. Now that we must become a nation of world traders, it seems worth while to review the whole matter from an international point of view, set forth for the benefit of all what the experience of our exporters has demonstrated and draw some general conclusions as to what should guide us in our tariff making.

The hearings held by legislative committees to which this question has in the past been referred by the Congress have seldom or never covered all the ground that they should. Much testimony relating to the competitive conditions that affect production costs has always been taken. In these latter days, however, the making of goods has constituted but a part of the manufacturer's problem. How products are sold has a very important bearing on the question of protection and deserves careful consideration if we are to arrive at sound decisions.

When, directly after the Civil War, there began an agitation for a tariff designed to protect the new industries that had sprung up in this country, we were of all peoples in the world the least capable mer-

chandizers. Such manufactured goods as we then made had sold chiefly because the public could get no imported substitutes for them. The war had for the time being crippled trans-Atlantic transportation.

With the resumption of international commercial relations it seemed as if our inexperienced manufacturers would quickly be ruined by the competition of the long established makers of Europe who, for reasons that are not important for the purposes of this discussion, had advantages in production and who, owing to the long acquaintance of their sales representatives with the distributing methods then in use, were on this account even more threatening as rivals in our home market. Probably the tariff policy that then found favor was the only practical means of avoiding disaster.

So we adopted protection as a temporary expedient with the idea that, when it was no longer needed, it could be discarded. Sheltered from foreign competition by a legislative barrier, our manufacturers prospered and rapidly increased in numbers—so rapidly that it brought about a development the great significance of which has never received due attention from either the advocates or opponents of a high tariff.

The rapid growth of our country and the constantly increasing demand for manufactured products that resulted led to intense competition among American makers within the tariff wall. Soon the older firms, having improved their manufacturing processes and gained prestige in their field, began to talk quality instead of price. The jobber was often

superseded by the able sales manager with his highly organized force of trained helpers; the drummer of song and story gradually passed on to make way for the salesman; and the advertising manager began to prove that there were better ways to propagate the ideals of his firm than slapping merchants on the back, telling them stories, bribing them with dinners and cigars or dazzling them with glittering raiment that was the talk of the town for months.

Today the United States leads the world in scientific salesmanship. Many American manufacturers have for years been able to thrive on price competition at home and abroad because they have discovered the consumer and learned how to make him want their particular products and because they have found out how to make better and more prosperous business men of the dealers who carry their lines. They first learned to meet in the home market the rivalry that originated around the corner and then went out into the rest of the world and vanquished or held their own with the European bugaboos.

Surely these manufacturers do not need and could not justly ask for protection. Perhaps others in the same lines whose products are poorly made, lack distinction and are sold through jobbers or otherwise to the few who do not care what they buy so long as it costs little, may demonstrate their individual need of help, though their right to it rests on dubious grounds. Just how far we should go to shield the admittedly weak from the consequences or their own incapacity, is manifestly open to some debate from social and economic viewpoints. If most of our infant industries in any given line have

outgrown their swaddling clothes and pap, how much of an asset are the remainder who have proved themselves incapable of similar development? Even the most ignorant farmer will tire of feeding runts whose chief characteristic seems to be the ability to assimilate nourishment without contributing the share to the pork barrel that the rest of the litter can and does.

This of course applies only to makers of highly elaborated products which possess individuality in the eyes of the consumer. When we consider the producers of staple or standardized products the problem is altogether different, for, as elsewhere shown, such lines cannot achieve peculiar distinction with the public. No dealer or user cares very much where his steel plates, pine boards, or chemicals come from as long as they are up to specifications and he gets them as needed. Such articles must always meet price competition and delivery requirements by the development of suitable producing and distributing facilities. When they are able to hold their own in world markets on this basis, they obviously need no help at home. Until it is thoroughly demonstrated that they can do this, they must be protected not only for their own sake or for the sake of our country, but also for that of the whole civilized world. It is manifestly bad not to encourage and help the growth of all producing facilities that really serve human needs.

All of the foregoing refers of course to a tariff for protection. It does not apply to purely revenue measures which instead of aiming to discourage imports, are theoretically designed to tax them below

the point where the law of diminishing returns begins to operate.

Now that the foreign trade of our country is a bread and butter matter to the Man in the Street, we cannot exercise too much care in applying the admittedly useful principle of tariff protection. International commerce, which is simply the exchange of the surplus products of one country for those of others, is a reciprocal institution which is highly sensitive to interference with the economic laws on which its operations are based. Our market in any foreign land cannot but be affected adversely by unnecessary barriers erected against the flow of its products into the United States. We must not unduly limit our importation of the best and most distinctive foreign-made products, for by so doing we shall surely restrict the distribution of our quality goods. There must be no manifest unfairness to other peoples for it invariably leads to strained political and economic relations.

Unmerited protection has, from a world-trade viewpoint, a very serious effect on our factory organizations. Just as large unearned incomes make for extravagance in the individual, so the undeserved relief of any one group of our manufacturers from the necessity of meeting foreign competition in our great home market operates against the development of the highest standards of efficient production. This in turn tends to limit our possibilities in foreign trade. It is evident that, in spite of the superiority of our selling methods, we cannot with impunity lag behind the rest of the world in our ability to make good products at a fair price, for to do this

would deprive us of our all important selling argument—quality.

How to draw the line between deserved and undeserved protection is admittedly a difficult matter. As stated in the first paragraph of this chapter, many of our manufacturers have not an open mind on the subject, either because of ideas inherited from past generations when conditions were very different or because of long and obstinate adherence to faulty conclusions drawn from experience, such as, for instance, the attributing of individual success in large part to a high tariff policy when as a matter of fact it is often due to unusual executive ability which would normally protect its possessor anywhere at home or abroad.

Our manufacturers are not therefore always to be regarded as reliable guides, entirely aside from any question of self interest. Probably the degree of success in world trade attained by any one line of industry which is apparently out of the "infant" class, offers an accurate indication of the extent and duration of the protection to which those engaged in it are entitled. For the political spell binder's theory of industrial prosperity based on a high range of prices at home to enable our manufacturers to dump their surplus products abroad, at a loss if necessary, has not stood the test of time. Foreign importers are not job lot specialists but highly efficient distributors of goods which the people of their countries buy not because they are chronic bargain hunters but mainly for the reason that they want or need the goods, and, like all other human beings in

these circumstances, can be persuaded to pay a fair price for them.

It may not be out of place here to point out that the fears that Germany would, when peace came, demoralize world trade by dumping on foreign markets, at very low prices, her supposed accumulation of manufactured products, were groundless. They had no real foundation not only because no considerable hoard of this kind existed but for the far better reason that, had German industry been able to do much more than meet the demand for war materials, any such unconsumed excess would have been but a small drop in the very large bucket of a world that was sorely in need of goods to keep the machinery of distribution going and to satisfy the pressing requirements of all peoples. In normal times dumping might have a temporarily bad effect on business but that it can be of any permanent benefit to a nation that is desperate enough to resort to such a practice, our own experience in foreign trade disproves beyond all question.

The protection of newly established industries should receive the most careful consideration. That they make a start at all may usually be regarded as evidence of their prospective usefulness to society. To leave them unaided to struggle through the vicissitudes of the early years unsheltered from the attacks of their vigorous foreign competitors is scarcely a service to our country or, for that matter, to the world at large.

It is unfortunate that, in the heat of the political campaigns of past generations, our manufacturers

were so repeatedly and so convincingly told that they could not contend with foreign producers on even terms. Long reiterated suggestion has a powerful influence on the human mind and many of our makers who should now be in an invincible position in world trade persist in believing that they cannot successfully enter the field. In spite of the fact that they have for years known how to meet the domestic rivalry of other American makers of similar but cheaper and inferior lines, they have a fear "complex" where foreign competition is concerned. There is, however, nothing quite so reassuring as a demonstrated fact and this feeling is gradually disappearing under the corrective influence of those who, in their endeavors to spread the light, keep calling attention to the successes of other American manufacturers whose products enjoy a world-wide demand at profitable prices.

CHAPTER XXXIII

GERMAN COMPETITION

SINCE the founding of the Empire, the foreign trade of Germany has been an anachronism. The modern conception of commerce, intranational and international, is the mutually advantageous exchange of excess products between individuals or communities.

When primeval man wanted something that another possessed, he took it by force or did without it. The development of the tribe as a social institution brought a realization of the desirability of maintaining property rights and he who needed what belonged to his neighbor had to exchange for it something that that neighbor wanted or something which by general agreement or official decree had a recognized value to all members of his tribe, so that with it the seller might later barter with others. Such were the beginnings of trade and such was the origin of money.

That this did not necessarily mark the awakening of the modern spirit of justice and humanity is shown by the fact that between tribes the only exchange that existed was robbery for which those despoiled exacted the highest possible toll in blood and bided their time to retake what they had lost or its equivalent. The first intratribal recognition

of property rights was purely an expedient and out of it were gradually evolved our standards of justice. It remained for modern civilization to apply the abstract principles of right and wrong to all humanity. It was not till a few intrepid men pledged their lives and their sacred honor to the maintenance of the principle that all men are created free and equal and succeeded in upholding their contention, that international commercial exchange began to lose its aspect, if not of robbery, at least of unfair exploitation of weaker peoples by those who, by inheritance, environment or natural endowment, were stronger.

An autocracy is a glorified tribe. The autocratic spirit is essentially tribal. Under this antiquated form of government might makes right internationally. Expediency still demands that between fellow-tribesmen, something approximating justice should be maintained, for on the cohesion of the tribe depends the autocrat's power. His subjects are, however, bred in the belief that they are men of superior worth whose duty it is to enhance the prestige of their tribe by carrying the blessings of its institutions to a benighted humanity and whose right it is to acquire, with the greatest possible advantage to themselves, the outlander's possessions.

History is full of examples of autocracy's spoilation and exploitation of other peoples. The policy of economic oppression that the autocratic England of a century ago adopted in ruling its American colonies started a school of political thought that brought the United States into being, swept through

the New World like an epidemic and, invading Europe, forced on the descendants of George III himself, a recognition of certain inalienable human rights.

The autocratic rulers of Spain under the pretense of carrying the spirit of its official Christianity to less-favored peoples, so despoiled and oppressed its American colonies that today not one remains to her.

France, Holland and Portugal under the rule of absolute monarchs pursued much the same course and with very similar results. In every case the tribal spirit, exalted by wealth and power, worked the undoing of those who controlled and directed the dangerous forces that destiny had placed at their disposal. Country after country has thrown off autocracy's yoke and joined the ranks of the ever-growing forces of democracy.

Throughout the generations that incubated and nourished the spirit of democracy, there existed in Central Europe a group of racially related but politically independent tribes, each jealous of the others and no one of them strong enough to dominate all. Such were the German States till the genius of Bismarck brought them under the rule of his tribe, welded them into an empire and vested its control in the person of the Prussian hereditary ruler. Thus there came into being almost over night a powerful autocracy in a world that had journeyed so far on the road to complete democratization that it could not believe that there existed in its midst a strong and able government whose rulers, disregarding the lessons of history, would later on at-

tempt to force on all humanity their political, social and commercial institutions.

Imperial Germany came into being at a time when the chief opportunity to acquire political colonies had passed. She took what she could in Africa but devoted most of her attention to what may be called commercial colonization. Her citizens emigrated, not to become a part of foreign bodies politic, but to remain always German, holding all that they could acquire not in a spirit of co-operation with those whose existence all about them made these holdings valuable, but selfishly as men of a superior race whose minds were permeated with that peculiar tribal philosophy called Kultur. The German trader in South America, because it was expedient to disguise himself as an industrious and law-abiding business man, was not on that account any less a bigoted zealot than was Pizzaro, whom circumstances permitted greater freedom of action.

The industrial democrat does not believe in employing force to foster the material welfare of himself or his country. It is his conviction that anything built up on such a basis is insecure. He feels that, just as government to be enduring must rest on the consent of the governed, so the distribution of his product must, to be worth while, depend on goodwill—on the satisfaction of the great mass of those who use it. When someone comes along and tries to convince them that another product is better, he fights but he fights intellectually. He grapples with the problems of lowering production costs and of salesmanship. He knows that if he is

beaten by his own fair methods, he must accept business defeat as gracefully as he acquiesces in the will of the majority in his government.

The illuminating rays of such a commercial philosophy never penetrated the German mind during the days of the Empire. Trade was looked upon as something that they must go out and take instead of winning it by methods which all right-minded men must regard as fair. German business men relied on trust methods of production and distribution, that is, methods involving unfair restraint, for there can be no valid objection to large-scale operations justly conducted. They imitated the popular products of other lands and foisted them on users for what they were not. They established foreign banks and used them as clubs on buying houses and as commercial spies. They acquired control of foreign firms, institutions and facilities and by this means forced advantages for themselves and their compatriots. They compelled the use of their goods in many lands by the old device of liens on crops, thus fostering improvidence rather than frugality.

These and similar methods, all breathing the tribal spirit and used with discretion to meet varying conditions, resulted in the upbuilding in every country of an enormous trade and the accumulation of great wealth, but nowhere was the distribution of German goods allowed to depend on the goodwill of foreign distributors or consumers. Branch houses, German in fact and usually in name, German banks and German corporations formed under the provisions of the laws of each country, everywhere worked for the home land, hand in hand with

its diplomats and spies, between which latter there seems to have been a distinction in name only. Never was there more than a pretense of enlightened interest in the communities they exploited or of loyalty to other than German institutions. The Kaiser had a strong commercial colony in every foreign country which he secretly ruled as truly as if it were a part of the fatherland in fact as well as in spirit.

That part of the German Empire which existed in the hearts of its expatriated property-owning subjects has never been portrayed on any map available to the public. The Allied belligerents traced many of its ramifications and destroyed some of its power within their own bodies politic but everywhere else its physical and psychological holdings remained intact awaiting the coming of the hoped-for victorious German peace.

The existence of such an alien domain with great resources so devoted to a foreign government that the only guide to its conduct is a discreet but none the less zealous interest in the home land, was a constant threat against the political and economic independence of each country so invaded and, as a whole, a menace to civilization. Either the world had to be made safe for democracy, political and commercial, or become a part of the German tribe.

For it is no secret that had Germany succeeded in her attempt at military domination, the result would have been the extension and intensification of her economic penetration in countries not directly ruled from Berlin. The magnitude of this disaster

would have been immeasurable from the point of view of free men. Only if England, France, Italy and the United States, separately or in combination, had then fought the German idea with its own commercial weapons, would it have been possible to build up the strength they would surely have required to meet another military onslaught. Whether these weapons could have been well fashioned and effectively used by countries with democratic institutions is doubtful, for commercial colonization is possible only under a highly centralized form of government. To wage a military fight against autocracy the Governments of the Allied powers themselves had to become, for the time being, autocratic and it is difficult to believe that any thoroughgoing imitation of German trade methods would have been possible for them without the further suspension if not the permanent loss of individual liberties.

Germany, however, did not win. The entire resources of democracy were pledged not only to her military defeat but to her political decentralization. The degree to which her government is in time democratized will determine the extent to which she can follow her pre-war trade policy. It is certain, however, that with any considerable degree of decentralization, her grandiose scheme of a military control of all industry with its workers enlisted for life goes by the boards. The beaten German people will not, if they have an effective voice, submit to further extension of the military idea. Nor will the Allied governments, after limiting its political use, permit it to invade the industrial field.

The only possible insurance against the resumption of German commercial frightfulness was to break her war machine and impose terms of peace that would not only prevent a return of military frightfulness but would also absolutely prohibit the evil trade practices so menacing to the liberties of all men. Any other victory would have been incomplete. Without her commercial colonization Germany could never have built up her military machine. A return to this policy would inevitably have bred another world crisis.

Hence the folly of attempting to formulate plans for meeting German competition on its own ground. We could not have done it successfully for we are not a tribe. Democratic institutions are inimical to the tribal spirit and must prevail over it or be sacrificed to it. We desire no commercial colonies. We want our precious liberties and we want others to be secure in the possession of theirs, both because they are as much entitled to them as we are to ours and because to attack or curtail them would be to undermine the whole structure of free government.

American manufacturers had no difficulty in meeting German competition during the pre-war period. Their products were honestly made and they did business with all due regard for the other man's welfare. They depended on good will, not on force. If our future exporters will go on doing what our pioneers have so well done, there need be no fear of German competition in the future.

A temporarily victorious Germany would have returned to the path she followed before the war until overcome by the inevitable and irresistible

reaction of human nature against the political and commercial overlordship of a tribe. The Germany now in existence after the military defeat is a decentralized mass of humanity forced to abandon the only methods with which they have been familiar and destined in the main to grope for years in an unknown world till the ability of their democratic leaders finds for them a way out of the trackless waste into which their tribal rulers have led them.

L'ENVOI

IN spite of the Kaiser's dreams of world conquest, in spite of submarines and Zeppelins, in spite of German poisonous gases and German-poisoned minds, in spite of the scars that will long show where the most savage onslaught of all time hammered against the living defenses of our civilization—Humanity, invincible and inviolable, emerged triumphant. Having stamped out the conflagration whose heat was in our very faces night and day, we resume the path that we were following when the alarm was sounded.

Refined by our trial, but still the same in human attributes, we must go on inhabiting a world unchanged except by the improvement due to our refinement. Our energies again turn to field, mine and factory. Each of us, producing what others need, exchange it for what we require, and that is commerce. No dislocation, however severe, of the machinery of production and trade, could ever permanently check human progress.

In the midst of a great catastrophe only a few minds rise above the welter of blood and death and continuously recognize the eternal vitality of human institutions. Too many are the slaves of what has been. Too few recognize the present, whatever its aspect, as but one stage in our inevitable rise to higher development.

The sick man cannot remember how it felt to be well, but the convalescent speedily forgets the pain he has endured. A sick humanity is on the road to its accustomed health if each of us but does his part with all the fairness, intelligence and energy with which he is endowed.

THE END

INDEX

	PAGE
Acquaintance as a Factor in Foreign Trade.....	154, 164, 165
Adaptation of Products to Markets.....	5, 6
Adjustments with Foreign Buyers.....	34, 51
Advertising Abroad, Street Car and Out-door.....	97, 98
Advertising Agents, General Publicity through.....	97
Advertising Combined with Circularizing.....	68, 73
Advertising for Foreign Trade.....	61, 62, 63, 68
Advertising Heavy Machinery.....	121
Advertising in Local Papers Abroad.....	61
Advertising Media Abroad, Character and Circulation of.....	99, 100
Advice sometimes Dangerous.....	5, 46, 76, 126
"American Atmosphere" in Foreign Markets.....	84
American Banks Abroad.....	151-155
American Export Failures.....	14, 33
American Methods, Importance of Following.....	10
Americanism in Foreign Trade.....	32, 45, 153, 154
 Boycotts of Imported Goods.....	 138, 139
 Cables, the Use of.....	 35
Catalogs, Export.....	75-79
Catalogs, Language of.....	77, 78, 79
Catalogs, Translation of.....	78
Circularizing Combined with Advertising.....	68, 73
Circularizing Export Commission Houses.....	67
Circularizing for Heavy Machinery.....	121
Circularizing in Foreign Trade.....	61, 62, 65-69
Circularizing to Secure Agents.....	66, 67
Circularizing under Exclusive Agency Plan.....	90
Circulars, Preparation of.....	65
Colonization, Commercial.....	190, 191, 192

	PAGE
Combinations in Foreign Trade.....	10, 16, 61, 122
Commercial Colonization, German.....	190, 191, 192
Competition on Price.....	5, 18, 19, 58, 181
Complaints from Foreign Buyers, How to Handle.....	93
Cooperating with Distributors.....	50, 51, 53, 54, 59, 60, 89-94, 175
Cooperating with Distributors under General Merchandizing Plan.....	90, 91, 92, 93
Cooperating with Exclusive Agents.....	89, 90
Correspondence, How to Handle.....	102, 113-118
Correspondence, Neglect of.....	73
Correspondence, Translation of.....	114, 115
Credit as the Merchant's Right.....	103
Credit Extension a Gradual Development.....	106, 107
Credit Information, Securing.....	101, 102, 109, 115
Credit Losses, Percentage of Foreign.....	105, 110
Credit Managers in Foreign Trade.....	104
Credit, Necessity of Extending.....	102, 103
Credit to Machinery Buyers, Form of.....	103, 120
Credits as a Competitive Weapon.....	6
Credits, Demoralization by Extension of Unwarranted.....	7
Credits, Foreign.....	101-107
Credits, German Misuse of.....	4
Credits, How Extended.....	105
Credits, Passing on Foreign.....	104, 109, 110
Credits, Safety of Foreign.....	101
Credits, the Real Function of.....	6
Criticism, Need for Constructive.....	128-132
Department of Commerce, a Suggestion for.....	147-150
Direct Exporting Distinctively American.....	60, 174, 175
Direct Exporting, Making a Start in.....	60-64
Drafts with Interest Clause.....	106
Drafts, How to Draw Foreign.....	106
Dumping Products Abroad.....	184, 185
Efficiency in Production, Importance of.....	183
Engineering in Foreign Markets.....	119, 120
Exaggeration to be Avoided.....	65
Exclusive Agency Plan, Circularizing under.....	90
Exclusive Agency Plan, Salesmen under.....	82, 84
Exclusive Agents, Appointment of.....	49, 50, 61, 62
Exclusive Agents, Cooperation with.....	50, 89, 90

	PAGE
Exclusive Agents Defined.	48
Exclusive Agents for Heavy Machinery.	119, 120
Exclusive Agents in Foreign Trade.	46, 48-51
Exclusive Agents, Negotiations with.	50
Exclusive Agents, When not Required.	52
Exclusive Agents, When Required.	49
Exclusive Dealers in Foreign Trade.	48, 52
Executive Ability in Foreign Trade.	33
Experience, Value of.	46, 47, 76
Export Commission Houses.	22-26, 63, 67, 68, 103
Export Commission Houses, How to Circularize.	67
Export Department a Development.	42
Export Department, Definition of.	40
Export Department, Separate or "Built-in".	40, 41, 42
Export Manager, Cooperation with.	37, 38, 42, 43
Export Managers, Qualifications of.	32-36
Export Managers as Authorities.	128
Export Papers.	61, 70-74
Export Papers, How Circulated.	71, 72
Export Papers of Two Kinds.	70
Export Papers, Service Facilities of.	73, 101
Export Selling Agents.	20, 24, 27-31, 122
Export Selling Plan a Development.	45
Export Selling Plan, Formulation of.	44-47
Export Technicians.	33
Exporting Manufacturers, Characteristics of.	37-39
Factory Branches in Foreign Trade.	48
Failures in American Exporting.	14, 33
Follow-up Work in Foreign Trade.	116, 117
Foreign Banks, Limitations of.	13
Foreign Buyers, Adjustments with.	34, 51
Foreign Buyers and New Lines.	62, 71
Foreign Buyers, Characteristics of.	35, 43, 68, 71, 104, 107, 113, 131
Foreign Buyers, Dishonest.	108-112
Foreign Buying Agents in the United States.	23, 24, 25
Foreign Exchange.	106
Foreign Markets, Acquaintance with.	32
Foreign Orders, Size of.	53
Foreign Trade, Broadening Effect of.	41
Foreign Trade, Making a Start in.	22, 27
Form Letters in Foreign Trade.	65, 117

	PAGE
General Merchandizing in Foreign Markets.....	46, 52-55, 62, 63
General Merchandizing Plan, Cooperating with Distributors under.....	90, 91, 92, 93
General Merchandizing Plan, Salesmen under.....	84, 85, 86, 87
General Merchandizing, when Advisable.....	52
General Publicity, American Preeminence in.....	96
General Publicity in Foreign Markets.....	92, 95-100
General Publicity through American Advertising Agents.....	97
General Publicity through Local Agents.....	95, 96
German Banks, Policy of.....	3, 4, 117, 151, 152, 191
German Cartel System.....	16, 18
German Competition.....	187-195
German Deceptive Practices.....	7
German Industry, Aims of.....	1
German Industry, Governmentally Directed and Supported... 1, 8, 10	
German Trade Policy, Weaknesses of.....	1-9, 13, 160, 190, 191
German Trade Policy Unworthy of Imitation.....	5, 12, 45
German Trade Policy, why Admired.....	14
German Violation of Confidential Relations.....	4
 Honesty as a Factor in Foreign Trade.....	36
 Ideals in Foreign Trade.....	36, 45
Imitation of American Products.....	136, 137
Industrial Democracy.....	14, 38, 190
International Trading Companies.....	23, 25
Investments in Foreign Markets.....	156-161
 Legislation, Dangers of.....	135, 139, 141, 150, 181
 Machinery in Foreign Markets.....	103, 119-123
Machinery on Credit, Exporting.....	103
"Made in Germany" Idea.....	5, 133-146
Manufacturers' Agents, Advantage and Disadvantage of.....	87
Manufacturers' Agents as Local Salesmen.....	85, 86, 87
Manufacturers' Agents in Foreign Markets.....	63
Manufacturers, the Duty of.....	7
Merchant Marine, Limitations of.....	13
Merchant Marine, the American.....	162-168
Metric System, Use of.....	77
 National Trademarks.....	83, 133-146
Nationality as a Factor in Foreign Trade..	12, 38, 83, 86, 138, 139, 140

Nationalization of Foreign Trade, Unsoundness of....	10-15, 60, 139 140, 145, 171
Packing Complaints.....	74
Packing Goods for Foreign Shipment.....	53
Patience as a Factor in Foreign Trade.....	35
Patriotism as a Factor in Foreign Trade.....	83, 138, 145, 146
Policy as a Factor in Foreign Trade....	28, 34, 69, 73, 114, 118, 150, 177
Preferential Tariffs.....	169-172
Preparatory Work in Foreign Markets.....	61, 62
Press, Thoughtlessness of the American.....	130, 131
Prestige in Home Market, Limitations of.....	43, 48, 61, 62
Prices, C.I.F and C.I.F.C.....	58
Prices, Determination of.....	56-59
Prices, List vs. Net.....	56, 57
Prices not Competitive.....	58, 59, 170
Prices, Quotation of.....	66
Prices, Retail, Maintenance of.....	59
Prices, Revision of.....	57
Prices, why Higher Abroad.....	57
Propaganda, Anti-American.....	129, 154
Protective Tariff and Foreign Trade.....	139, 179-186
Quality as a Sales Argument.....	5, 19, 40, 170, 180, 182, 183
Raw Products, Exportation of.....	124-127, 182
Reciprocity Treaties.....	169-172
Sales Department, Domestic, Cooperation with.....	41
Salesmanship.....	33, 40, 173-178, 180, 181
Salesmen, Americans as.....	80, 81, 85
Salesmen in Foreign Trade.....	63, 80-88
Salesmen, Manufacturers' Agents as Local.....	85, 86, 87
Salesmen, Nationality of.....	82, 83
Salesmen, Training Young Foreigners as.....	87
Salesmen under Exclusive Agency Plan.....	82, 84
Salesmen under General Merchandizing Plan.....	84, 85, 86, 87
Seasonal Demand in Foreign Trade.....	54
Selling Methods, European.....	60, 173-178
Service Facilities of Export Publications.....	73, 101
Shipping Goods Abroad.....	53
Standardized Products, Exportation of.....	124-127, 182

